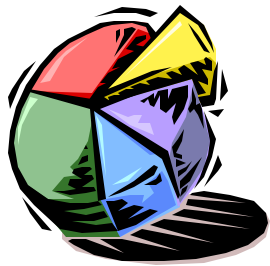


IDAHO

UNEMPLOYMENT INSURANCE

*Financing, Benefit Costs
And Experience Rating Report*



2000



Idaho Department of Labor

IDAHO

UNEMPLOYMENT INSURANCE

Financing, Benefit Costs, & Experience

Rating Report

2000

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FOREWARD

The *Idaho Unemployment Insurance Financing, Benefit Costs, and Experience Rating Report* is an annual study that is intended to provide the reader with information about the structure, development, history, and current status of Idaho's Unemployment Insurance program. We hope this information will assist you as a reference relative to benefit costs, benefit financing, and experience rating. Please call Jerry Fackrell at (208) 334-6170 or Jack Bonner at (208) 334-6165 if you have any questions or comments.

Roger B. Madsen
Director
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PREFACE

Unemployment Insurance was created by the Social Security Act in 1935 — during one of the deepest, most merciless depressions that this nation has ever endured. While Unemployment Insurance (UI) was born in the United States as an eventuality of this dark period in our history, it remains a vital and vibrant adjunct to our economic well-being to this day.

Many take this program for granted without the realization of just how many lives it has touched, even during the booming prosperity that we have enjoyed during the decade of the 90s. For example, during fiscal year 1999, an estimated \$21 billion in state unemployment benefits were paid to 7.1 million unemployed workers in the United States, helping individuals bridge the gap between jobs.

But of equal importance is the often overlooked benefit of stabilizing the economy. UI benefit payments constitute countercyclical transfer payments that sustain aggregate demand during periods of unemployment as purchasing power is pumped back into the economy. UI benefits serve to act as a stimulus to the economy as they cushion a downturn in sales and employment.

Currently, Idaho's economy is experiencing record low unemployment rates and dynamic growth in its labor force. We should not, however, discard the historical perspective that includes many periods of economic downturn when the role of a healthy Unemployment Insurance trust fund provides automatic increased benefits at the right time, in the right places, among those that need them the most. Many of these events are chronicled in this report.

Interspersed with the tables and figures is a brief analysis of the data and some background information. Any analysis included in this report is not a complete evaluation of the data.

The data and narrative included in this report pertain only to factors that affect the Unemployment Insurance trust fund. It excludes data for state and local government and charitable organizations that are in the Unemployment Insurance program on a cost reimbursement basis.

This publication reports data on both a calendar year basis and on a fiscal year basis. Which year is used is dependent upon specific requirements of Idaho's Employment Security Law. Whenever possible, the time period selected is that period nearest to the publication date.

TRUST FUND ADEQUACY

GENERAL PRINCIPLES

Trust fund financing is a system that forward funds the insurable unemployment risks. The one overriding principle of building a trust fund to pay Unemployment Insurance benefits is that the fund reserves should be adequate during periods of economic health to pay benefits during periods of economic downturn. Keeping the trust fund balance high enough so that the fund can maintain solvency during recessionary times is essential.

Ideally, a UI trust funding system should be countercyclical. When the economy experiences a downturn, a drawdown of the fund occurs because of increased UI benefit payments. Additionally, UI tax payments flowing into the fund decrease as payrolls shrink. Conversely, during periods of relative economic health, UI benefit payments decrease, and UI tax payments flowing into the fund increase as payrolls increase. In Idaho, countercyclical taxation is somewhat achieved through the "lag-time" built into the tax system. But, countercyclical taxation is only effective if recessions that occur are of relatively short duration. The recession in Idaho from 1980 to 1983 is a good example of when the length of time that the recession had its grip on the state economy outstripped the built-in countercyclical aspects of Idaho's UI program.

The fundamental fund adequacy question is: "What should be the size of the UI trust fund reserves to meet a potential drawdown from a recessionary economy?" The absolute dollar balance of the UI trust fund has little value in determining the financial health of a trust fund. The UI trust fund balance must be made relative to known values. The high cost multiple, average high cost multiple, and the ratio of the fund to total wages are such relative measures of solvency.

High Cost Multiple (HCM)

Since both wages and UI benefits are dynamic, especially during periods of inflation, potential liability to a state's UI trust fund cannot be gauged by an absolute dollar amount. The premise of the high cost multiple is that each state should maintain a minimum trust fund balance which is $\frac{1}{2}$ times larger than the indexed amount of UI benefits paid out in 12 months during the worst case

recession in recent history. The high cost multiple is derived by dividing the ratio of a state's year-end UI trust fund balance to total covered wages paid during the year by the state's high cost rate. The high cost rate is defined as a state's highest ratio of benefit expenditures to total covered wages during any 12-month period since January 1958. Idaho's high cost rate of .0319 occurred in the twelve-month period beginning February 1, 1982, and ending January 31, 1983.

Average High Cost Multiple (AHCM)

Another "relative rule-of-thumb" is the average high cost multiple recommended by the Advisory Council on Unemployment Compensation: "Congress should establish an explicit goal to promote the forward funding of the Unemployment Insurance system. In particular, during periods of economic health, each state should be encouraged to accumulate reserves sufficient to pay at least one year of Unemployment Insurance benefits at levels comparable to its previous high cost. For purposes of establishing this forward-funding goal, the previous "high cost" should be defined as the average of the three highest annual levels of Unemployment Insurance benefits that a state has paid in any of the previous 20 calendar years."

Idaho's highest average three-year high cost rate of .0237 was recorded during 1982, 1983, and 1986.

Ratio of Fund to Wages

The ratio of the fund to total wages makes the fund size a relative measure of fund adequacy. The rationale of this measure is that as total covered wages increase, the potential liability to the fund also increases because of employment growth and wage inflation.

HISTORICAL PERSPECTIVES

Prior to 1983, Idaho's high cost period began on September 1, 1960 and ended August 31, 1961, with a high cost rate of .0224. The recession in the early 1980s produced the highest cost period in the history of Idaho's UI program, shattering the previous high cost period record set in 1961. The new high cost period began February 1, 1982, and ended on January 31, 1983, with a high cost

ratio .0319. The high cost multiple with 1961 high cost period, the high cost multiple with the 1983 high cost period, and the average cost multiple are all plotted in Figure 1 for comparison purposes.

Table 1 on page 10 presents a historical perspective of trust fund adequacy criteria for 1974 through 1999. The first series shows the ratio of the year-end fund balance to total covered wages, which in itself, is a potential indicator of fund adequacy to meet any recessionary pressures.

FUND ADEQUACY BY CRITERIA

Figure 1 graphically shows that there has been a gradual decline in the three adequacy measures during the decade of the 90's. A very important factor in the computation of the high cost multiple is the total covered labor force. In light of a strong economic backdrop, rapid growth in Idaho's covered labor force along with its resulting growth in covered wages has contributed to the data de-

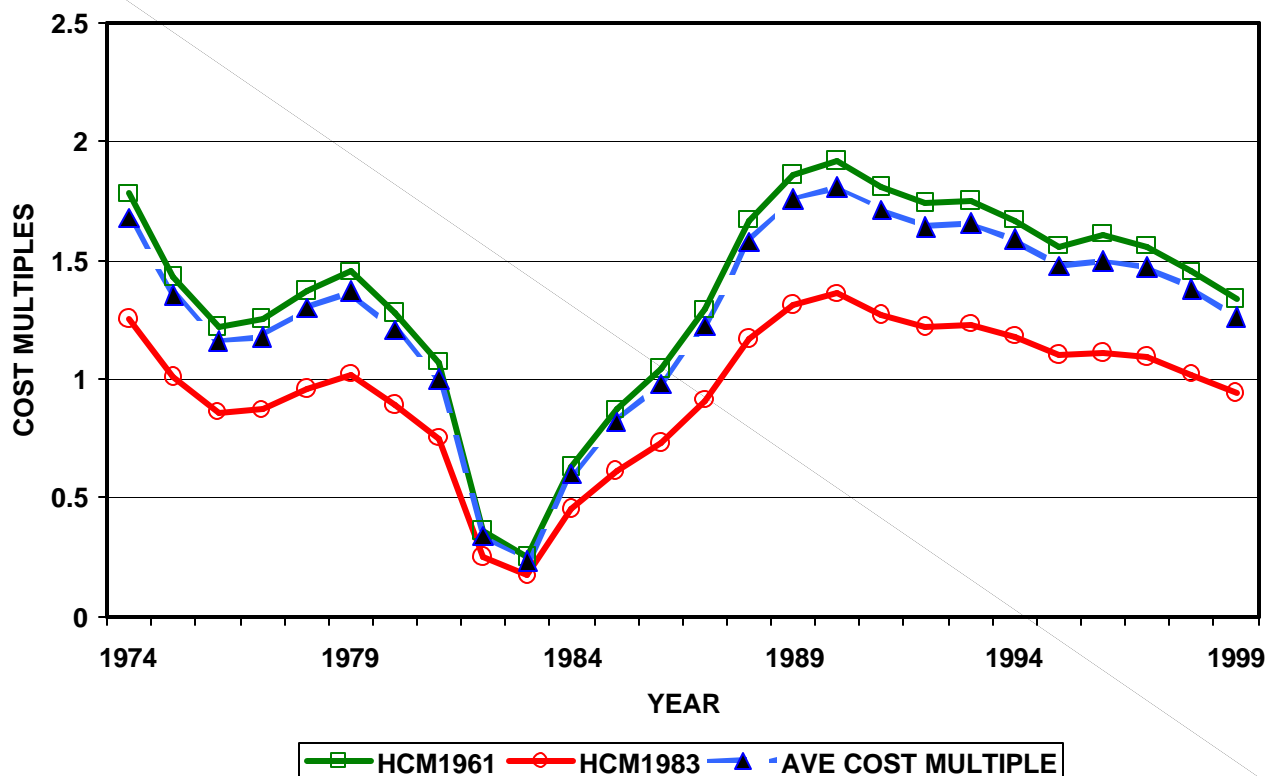
clines in the last few years. (In the computation of the criteria measures, the year-end fund balance is made relative to year-end total wages).

Also contributing to a relatively small movement in the measures is the indication that Idaho's indexed benefit and taxing formula is working quite nicely and as designed. It reveals that there has been a linking of trust fund reserves to benefit payout levels. During the last several years, Idaho's economy has demonstrated a long-term period of growth and vitality, which has resulted in the two lowest tax producing rate schedules being in effect.

The question that is always paramount in trust fund adequacy is: How much reserves are enough? The answer to this question can be convoluted and veiled in uncertainty because of the unstable nature of business cycles in general and of the job market in particular.

A corollary question becomes: How well do the

FIGURE 1: AVERAGE COST AND HIGH COST MULTIPLES



adequacy measures reflect the fund's ability to meet the payout demands of any business cycle downturn?

ANALYSIS

If you accept the base concept of the cost multiples as diagnostic tools, and if the 1961 high cost multiple or the average of the three high cost years multiple were chosen as an adequacy benchmark, Idaho's trust fund level should be able to meet the

increased payout demands of a probable downturn in the business cycle. Conversely, if a recession as severe as that experienced in 1980 to 1983 were to occur, the 1982 to 1983 high cost multiple would seem to indicate that Idaho's trust fund potentially would be a bit short of remaining actuarially sound.

TABLE 1: TRUST FUND ADEQUACY CRITERIA

Ratio Year Ending Trust Fund Balances to Covered Wages and Cost Multiples
1974-1999

Year	(1) December Trust Fund Balance (000)	(2) Covered Wages (000)	(3) Ratio of December Trust Fund Balance to Covered Wages	(4) HCM Base 9/1/60	(5) HCM Base 2/1/82-1/31/83	(6) AHCM Average Three-year High
1999	332,837	11,052,325	0.0301	1.34	.94	1.26
1998	330,814	10,174,288	0.0325	1.45	1.02	1.38
1997	331,704	9,515,329	0.0349	1.56	1.09	1.47
1996	316,392	8,909,294	0.0355	1.61	1.11	1.50
1995	295,720	8,453,059	0.0350	1.56	1.10	1.48
1994	293,701	7,815,924	0.0376	1.67	1.18	1.59
1993	279,061	7,094,143	0.0393	1.75	1.23	1.66
1992	254,684	6,539,625	0.0389	1.74	1.22	1.64
1991	242,051	5,961,734	0.0406	1.81	1.27	1.71
1990	242,620	5,605,159	0.0429	1.92	1.36	1.81
1989	211,056	5,061,903	0.0417	1.86	1.31	1.76
1988	173,469	4,635,480	0.0374	1.67	1.17	1.58
1987	123,230	4,247,972	0.0290	1.29	0.91	1.22
1986	94,432	4,067,775	0.0232	1.04	0.73	0.98
1985	78,722	4,058,892	0.0194	0.87	0.61	0.82
1984	55,097	3,869,731	0.0142	0.63	0.45	0.60
1983	19,545	3,579,875	0.0055	0.25	0.17	0.23
1982	26,850	3,351,897	0.0080	0.36	0.25	0.34
1981	81,127	3,394,490	0.0239	1.07	0.75	1.00
1980	88,831	3,102,768	0.0286	1.28	0.89	1.21
1979	94,847	2,917,541	0.0325	1.45	1.02	1.37
1978	80,619	2,613,561	0.0308	1.37	0.96	1.30
1977	61,729	2,213,340	0.0279	1.25	0.87	1.18
1976	53,452	1,946,553	0.0275	1.22	0.86	1.16
1975	53,598	1,671,759	0.0321	1.43	1.01	1.35
1974	58,915	1,479,732	0.0398	1.78	1.25	1.68

*This average high cost multiple should not be confused with the 10-year ACM used for determining which tax schedule is in effect.

TIME SERIES DATA

One of the principal reasons for collecting and analyzing time series data is to discover and display systematic patterns in a series which can assist in explaining and evaluating the past behavior of a series. For example, a strong seasonal pattern can explain much of the fluctuation in some data.

Much of the data in this report consists of annual summaries, annual averages, or point-in-time information. In viewing or analyzing UI data, some of the most meaningful and valuable tools are the graphic presentations of actual data over a period of time. Time series are a set of observations of a single variable taken at regular periods over a period of time. With time series, evaluations can be made of seasonality, trends, cycles, and irregular factors.

The selected UI data graphs in this series give insight into the basic economic trends during the 15-year period from 1996 through 1999. Each tick mark on the horizontal axis of the graphs represents one calendar quarter of data over the selected time span.

Figures 2 through 11 show both actual data (broken lines) as well as a deseasonalized trend-cycle line (heavy, solid line). Clearly, the following graphs show growth in Idaho's economy and some of the outcomes that this expansion has upon Idaho's Unemployment Insurance program. Some cyclical patterns also emerge. No additional evaluation of this data is presented.

FIGURE 2: NUMBER OF WORKERS COVERED BY IDAHO'S UI PROGRAM

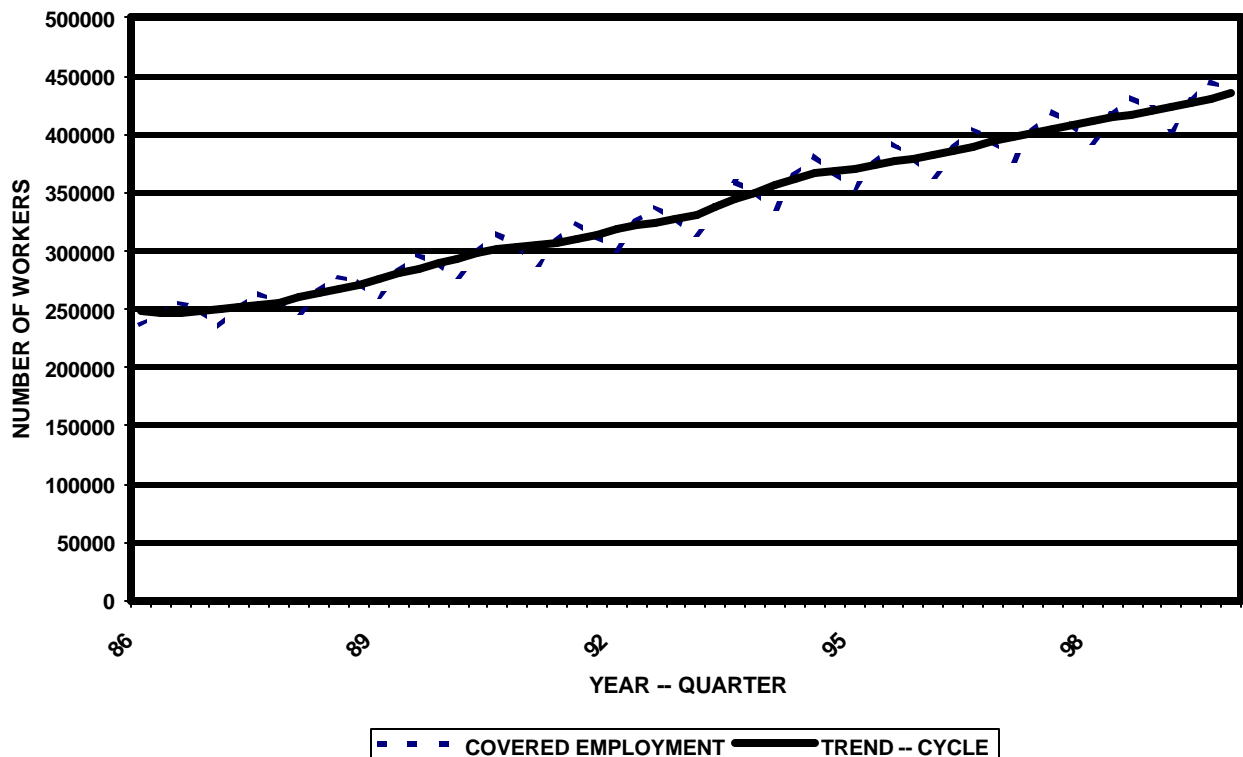


FIGURE 3: TOTAL WAGES PAID BY EMPLOYERS COVERED BY IDAHO'S UI PROGRAM

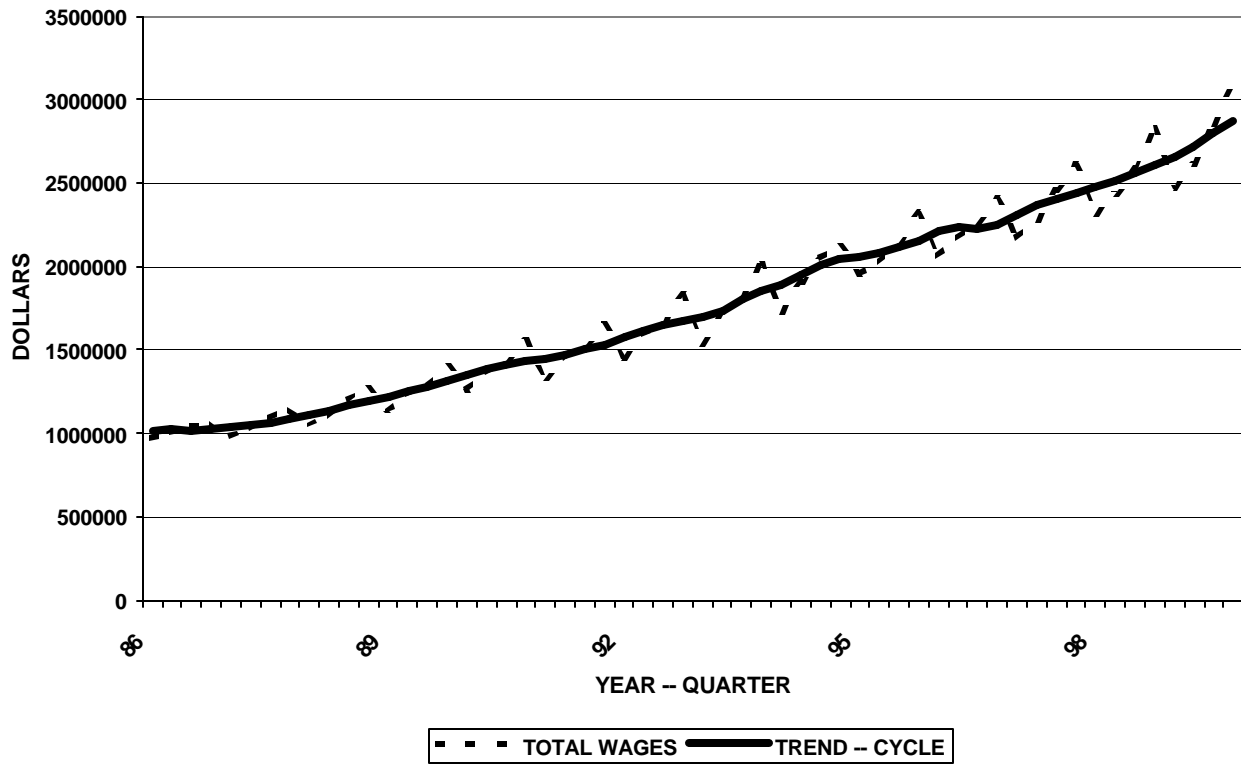


FIGURE 4: AVERAGE WEEKLY WAGE -- TAX RATED EMPLOYERS

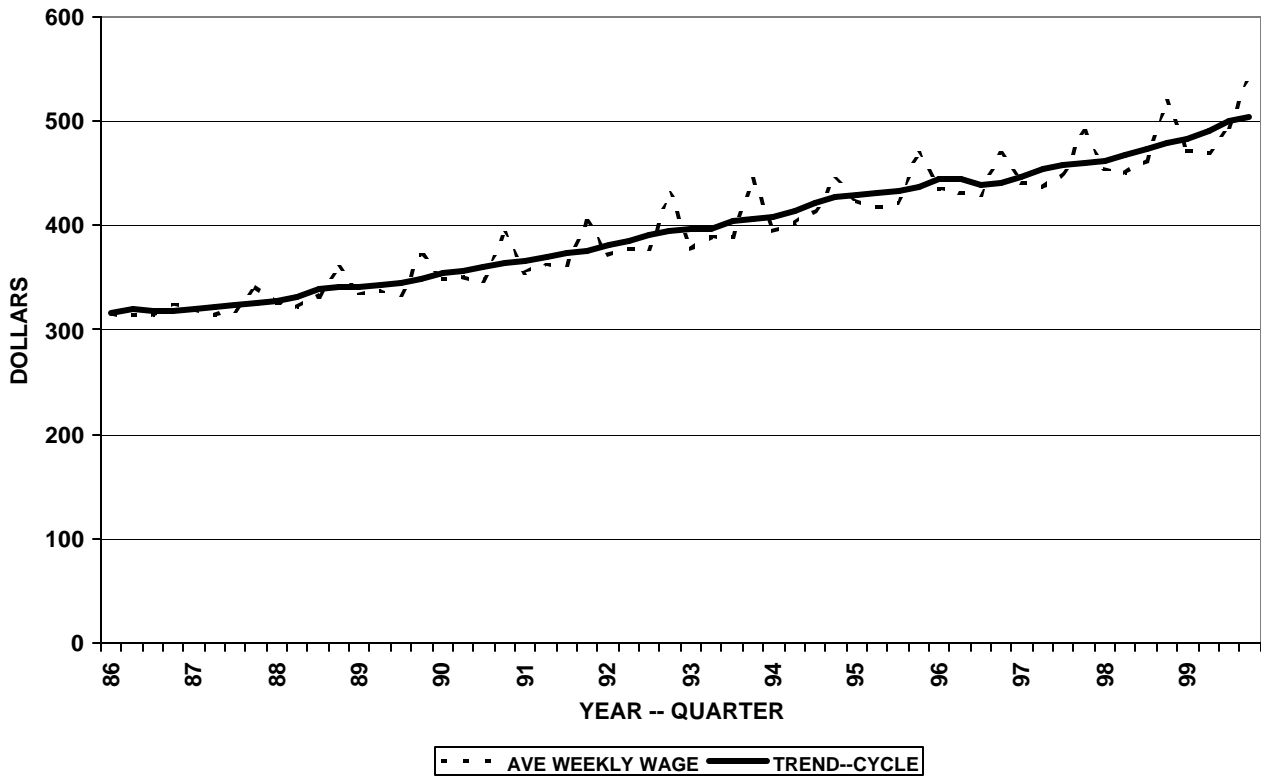


FIGURE 5: NUMBER OF WORKERS THAT RECEIVED A FIRST PAYMENT OF UI BENEFITS

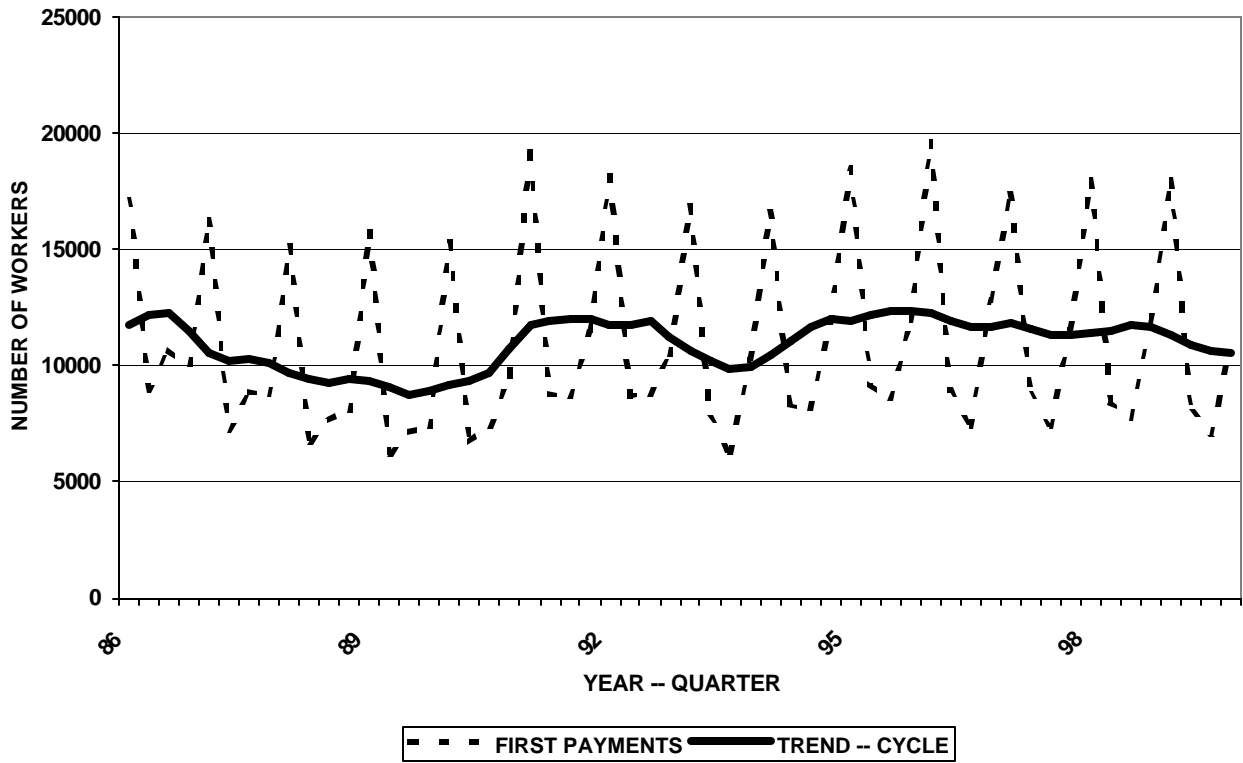


FIGURE 6: NUMBER OF WEEKS OF REGULAR BENEFITS PAID TO IDAHO CLAIMANTS

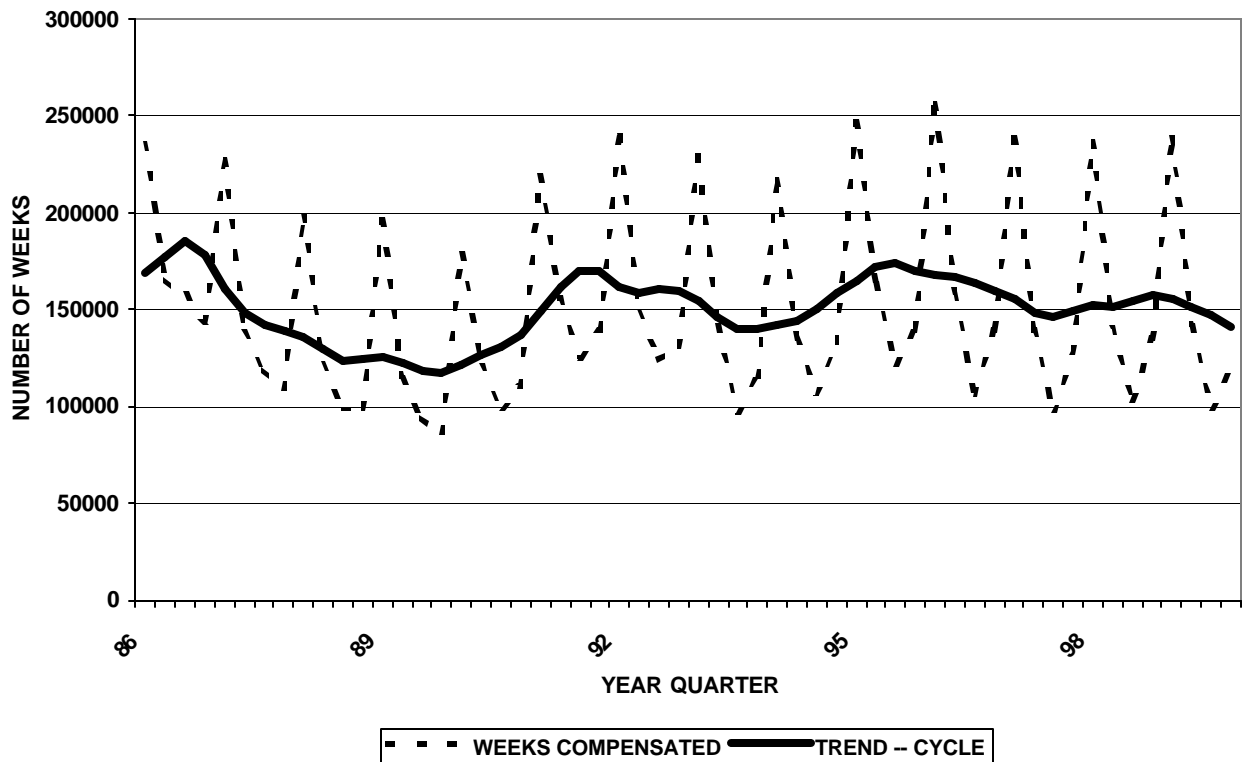


FIGURE 7: INSURED UNEMPLOYMENT RATE

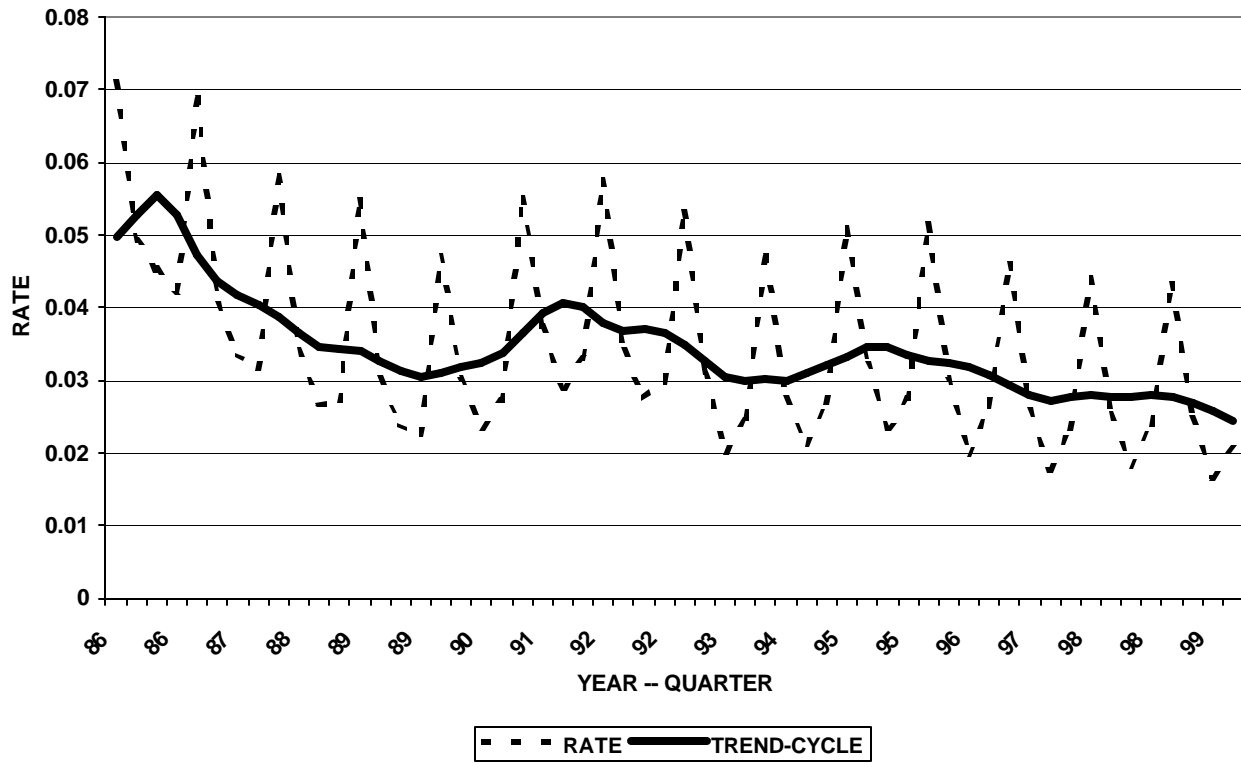


FIGURE 8: REGULAR BENEFITS PAID OUT

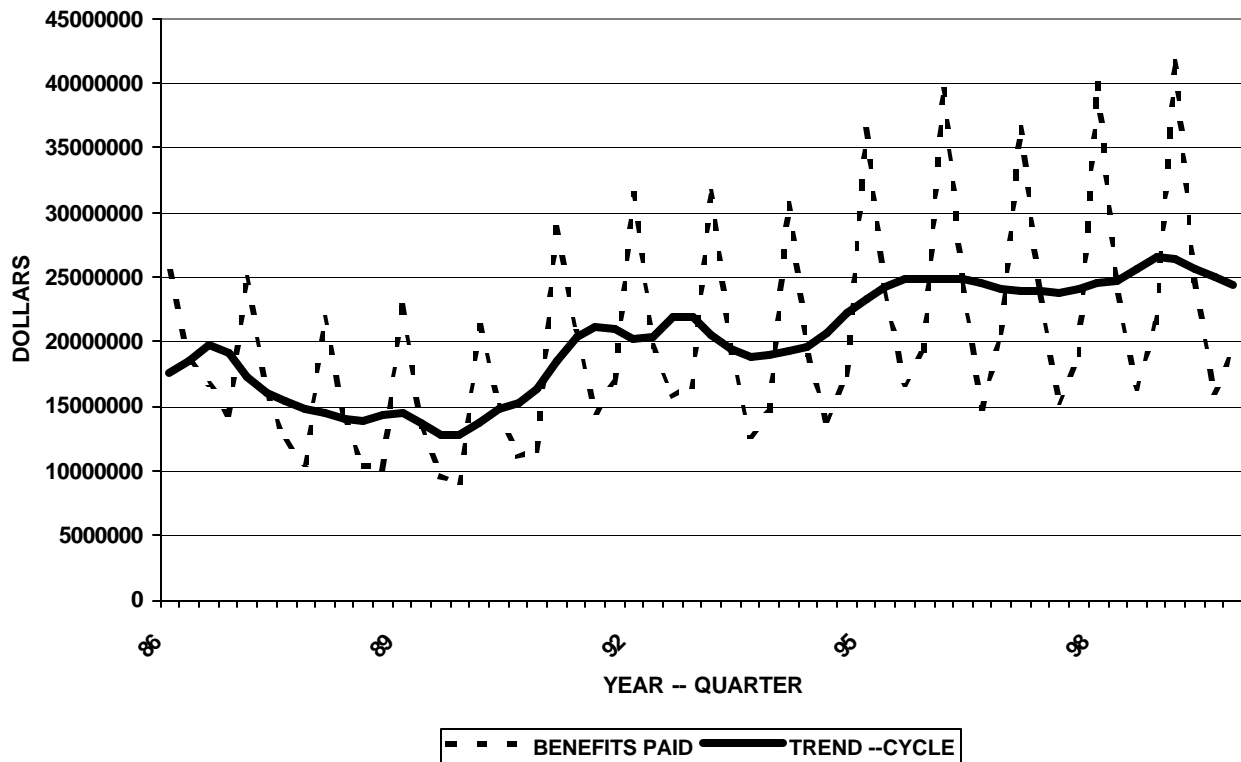


FIGURE 9: NUMBER OF CLAIMANTS THAT EXHAUSTED BENEFIT ELLIGIBILITY

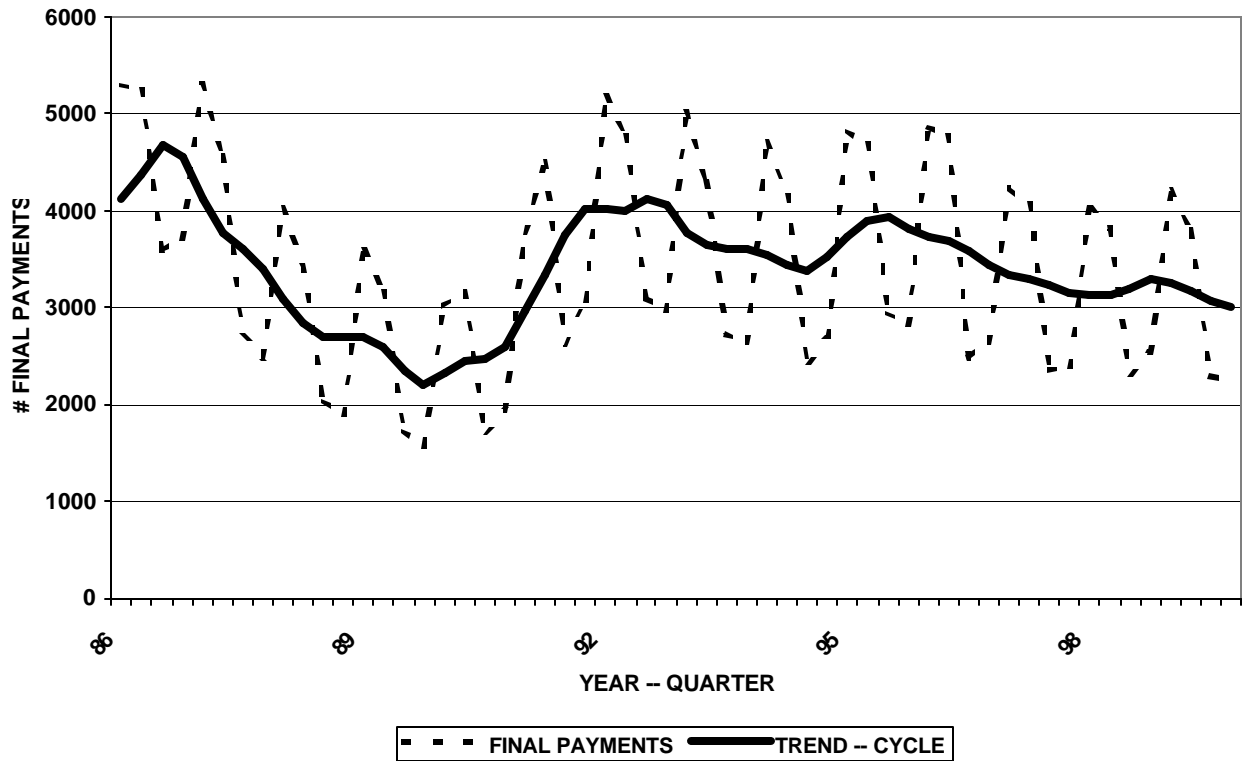


FIGURE 10: RATIO OF FINAL PAYMENTS TO FIRST PAYMENTS

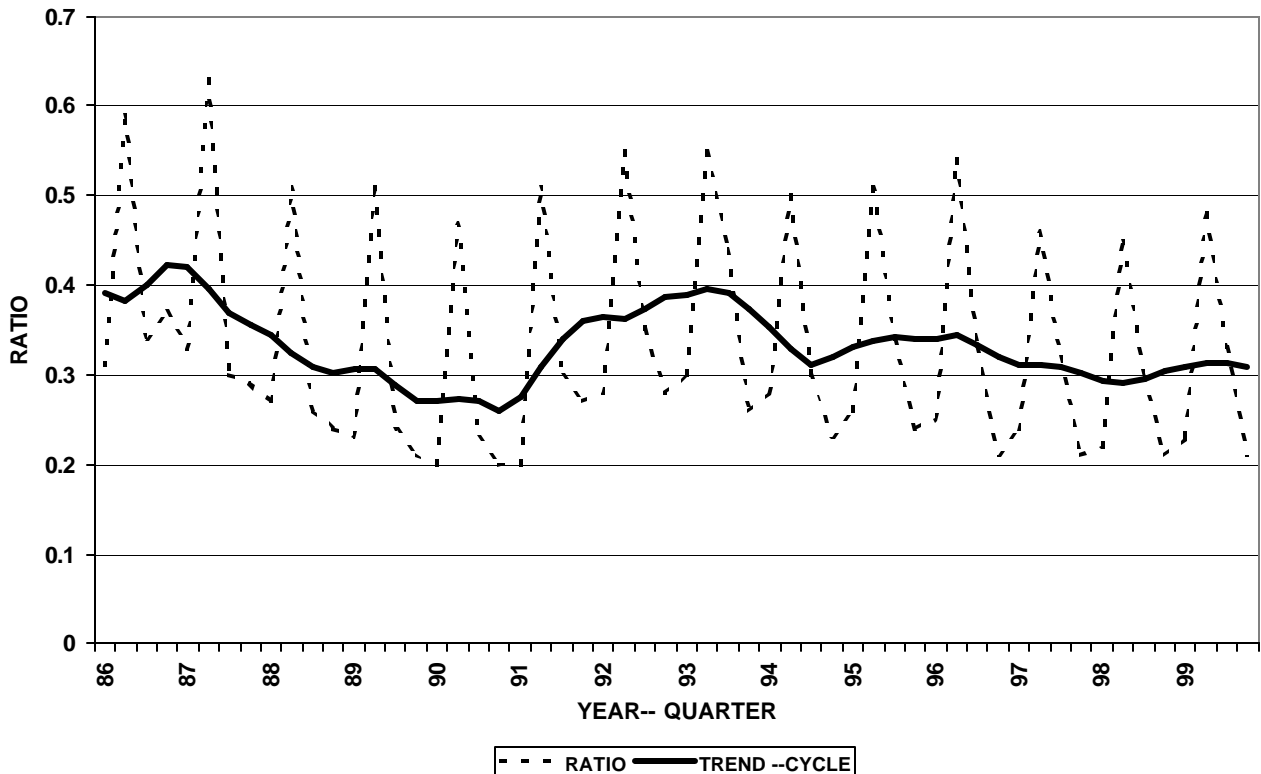
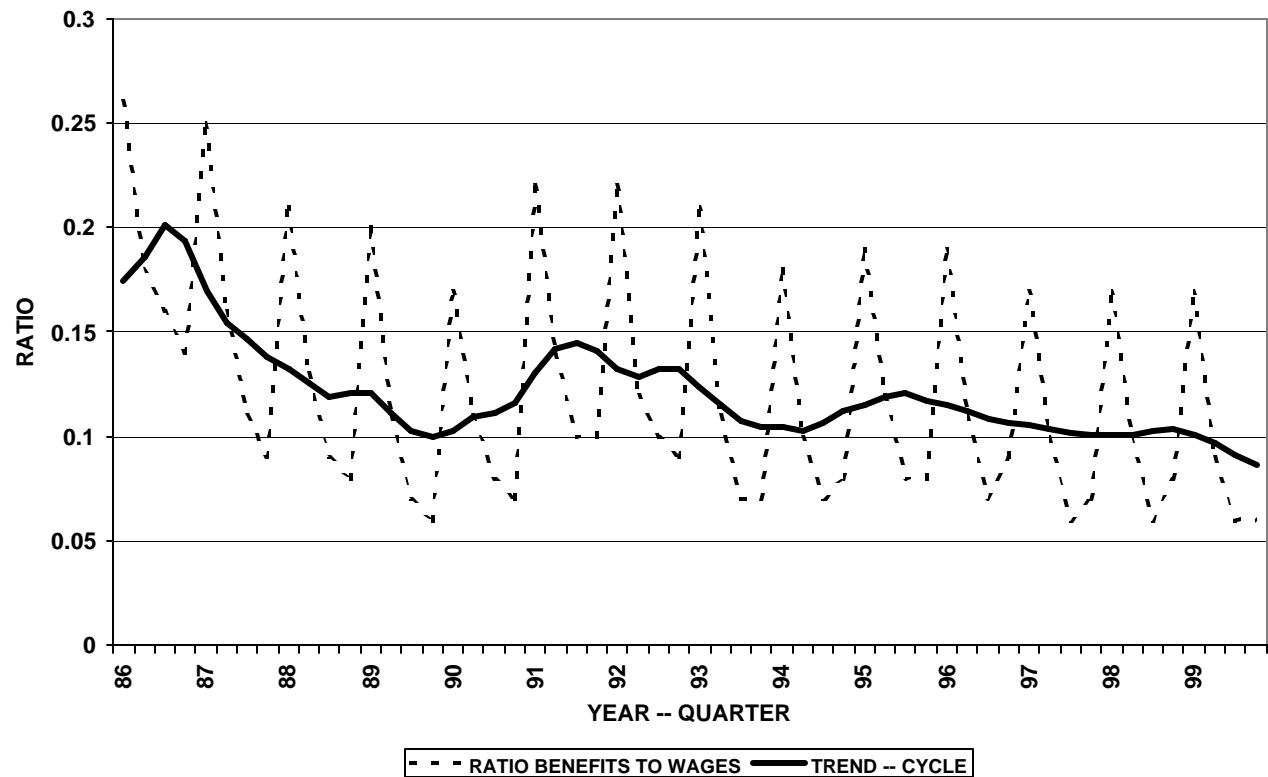


FIGURE 11: BENEFITS AS A RATIO TO TOTAL WAGES(COST RATE)



FACTORS SIGNIFICANTLY AFFECTING UI COSTS & UI TAX RATES IN IDAHO

AVERAGE WEEKLY TAXABLE WAGE

In 1976, the taxable wage base was indexed to total wages. The taxable wage base is the limit on the amount of each employee's wages that are taxable each year. Since that law change, taxable wages have remained at about 67 percent of total wages. The average weekly taxable wage is an average of that portion of the average weekly wage upon which Idaho employers pay UI payroll taxes. In 1999, the \$328.59 average taxable wage was 66.4 percent of the \$495.10 average weekly wage.

The stability of the average taxable wage to the average weekly wage indicates that taxable wage base increases have not outpaced inflationary increases in wages.

AVERAGE WEEKLY WAGE

In 1999 the average weekly wage was \$495.10, up 5.3 percent over the \$470.25 in 1998. This increase is 1.9 percentage points greater than the 3.4 percent increase recorded in 1998 over 1997.

Additionally, the average weekly wage is important in a more intrinsic way. It determines the

maximum weekly benefit amount and, indirectly, the average benefit amount paid to Idaho UI claimants. The maximum weekly benefit amount is set at 60 percent of the average weekly wage in the preceding calendar year.

AVERAGE WEEKLY BENEFIT AMOUNT

The relationship between the average weekly wage and the average weekly benefit amount is important. This relationship shows the degree to which average UI benefits replace average wages.

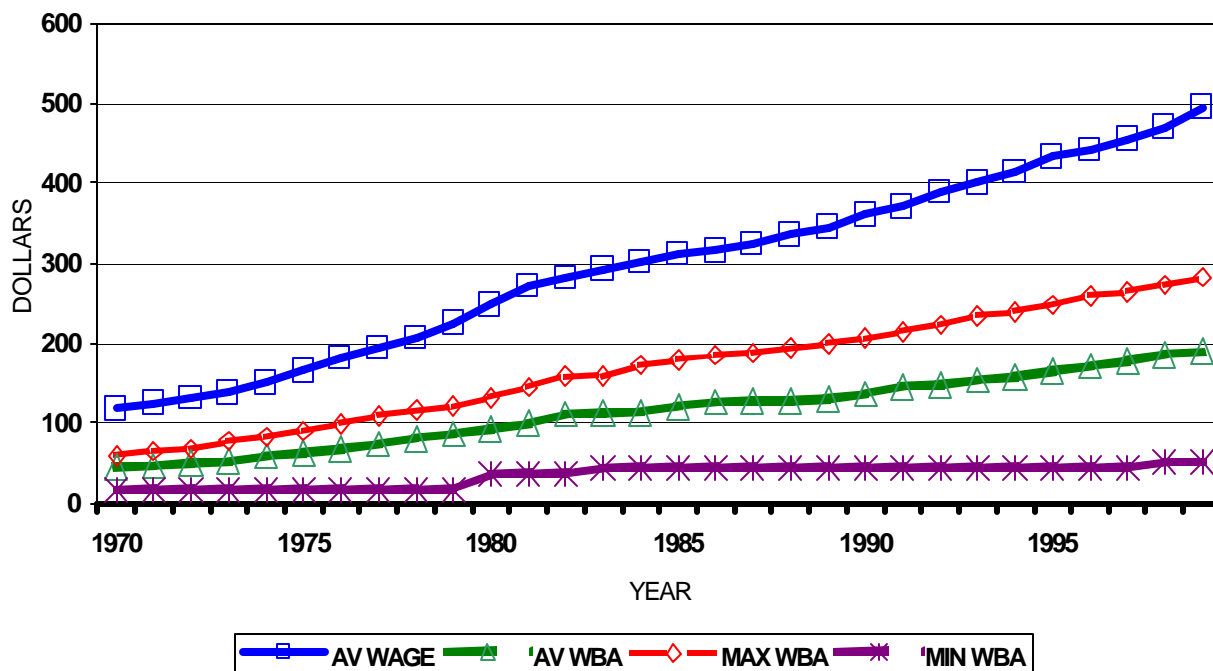
The average weekly benefit amount for all claimants during 1999 was \$189.34, up 2.0 percent over the \$185.54 in 1998.

The average benefit amount was 38.2 percent of the average weekly wage in 1999. This relationship has remained remarkably constant since the maximum UI benefit amount was indexed to 60 percent of average wages in 1973.

POTENTIAL DURATION OF BENEFITS

Equally important is the average potential duration of benefits. The potential duration of

FIGURE 12: AVERAGE WEEKLY WAGE & BENEFIT LEVELS



benefits is the maximum number of weeks that a claimant may draw his/her weekly UI benefit amount. The maximum potential duration for any eligible claimant is determined by the ratio of the high quarter earnings to total earnings in the claimant's base period.

There are meaningful differences in potential duration of benefits by major industry groupings. Seasonal employment patterns and/or the use of

temporary or part-time workers are important factors in average potential duration.

AVERAGE WEEKLY BENEFIT ENTITLEMENT

Equally important as potential duration is average weekly benefit entitlement. Figure 15 graphically reveals that there is wide variation by major industry groupings in these averages — from \$177

(Continued on page 21)

TABLE 2
Average Weekly Wage, Average Weekly Taxable Wage, and
Average Weekly Benefits in Idaho
1974-1999

Year	Average Weekly Wage	Average Weekly Taxable Wage	Ratio of Taxable Wages to Total Wages	Average Weekly Benefit	Average Weekly Benefit as % of Average Weekly Wage	
					Total	Taxable
1999	\$ 495.10	\$ 328.59	0.664	\$ 189.34	38.2	57.6
1998	470.25	317.40	0.675	185.54	39.5	58.5
1997	454.67	298.78	0.657	177.76	39.1	59.5
1996	441.39	297.26	0.673	171.72	38.9	57.8
1995	432.92	288.59	0.667	164.88	38.1	57.1
1994	413.93	279.56	0.675	157.66	38.1	56.4
1993	400.40	267.14	0.667	153.91	38.4	57.6
1992	389.44	259.43	0.666	148.07	38.0	57.1
1991	371.05	249.77	0.673	145.53	39.2	58.3
1990	360.05	241.74	0.671	136.94	38.0	56.6
1989	344.52	231.72	0.673	129.95	37.7	56.1
1988	335.27	225.34	0.672	127.56	38.0	56.6
1987	323.79	223.60	0.691	127.32	39.3	56.9
1986	315.77	218.68	0.692	126.23	40.0	57.7
1985	311.00	212.82	0.684	120.37	38.7	56.6
1984	302.00	206.51	0.684	113.55	37.6	55.0
1983	292.46	203.65	0.696	111.94	38.3	55.0
1982	281.71	193.70	0.687	111.42	39.5	57.5
1981	271.24	183.68	0.677	99.72	36.8	54.3
1980	248.39	167.60	0.675	92.91	37.4	55.4
1979	225.23	155.50	0.690	86.50	38.4	55.6
1978	205.88	143.60	0.697	81.08	39.4	56.5
1977	193.87	131.92	0.680	74.55	38.5	56.5
1976	181.00	126.26	0.698	67.34	37.2	53.3
1975	165.35	83.26	0.503	62.73	37.9	75.3
1974	150.61	81.55	0.541	58.66	38.9	71.9

FIGURE 13: MAXIMUM, AVERAGE, & MINIMUM BENEFIT AMOUNTS

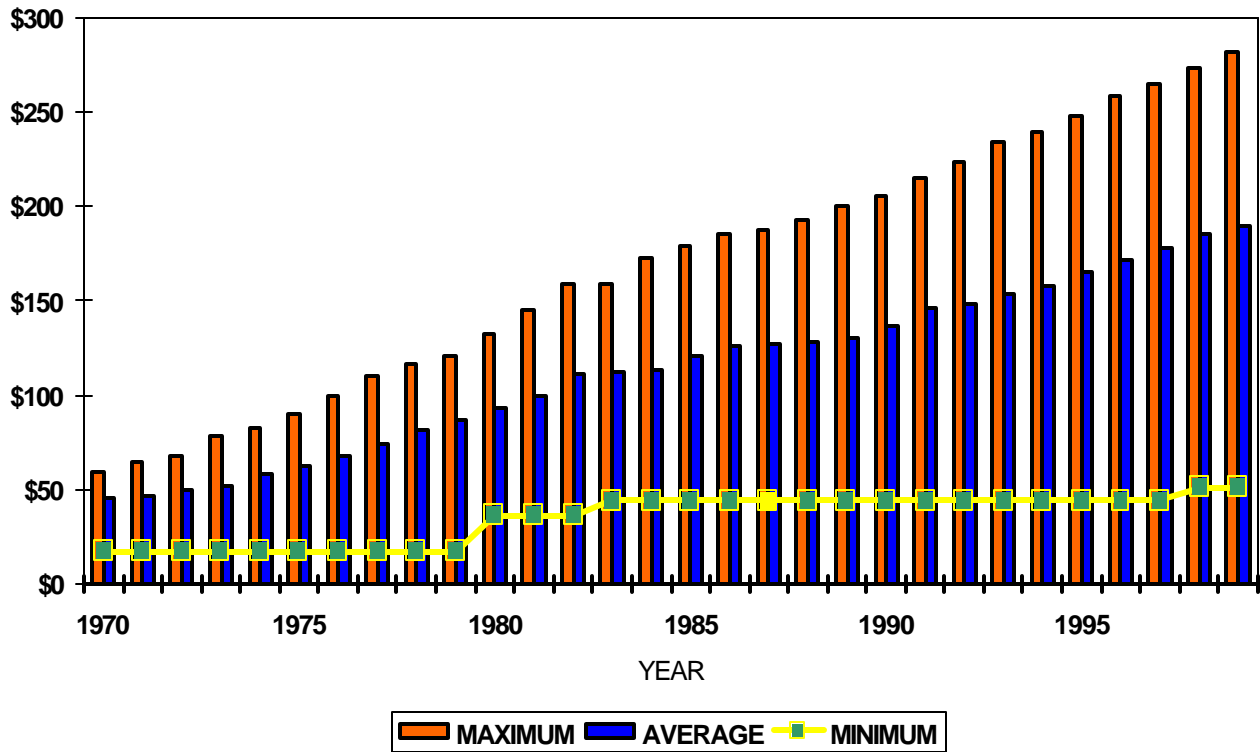


FIGURE 14: AVERAGE POTENTIAL DURATION OF BENEFITS, 1999

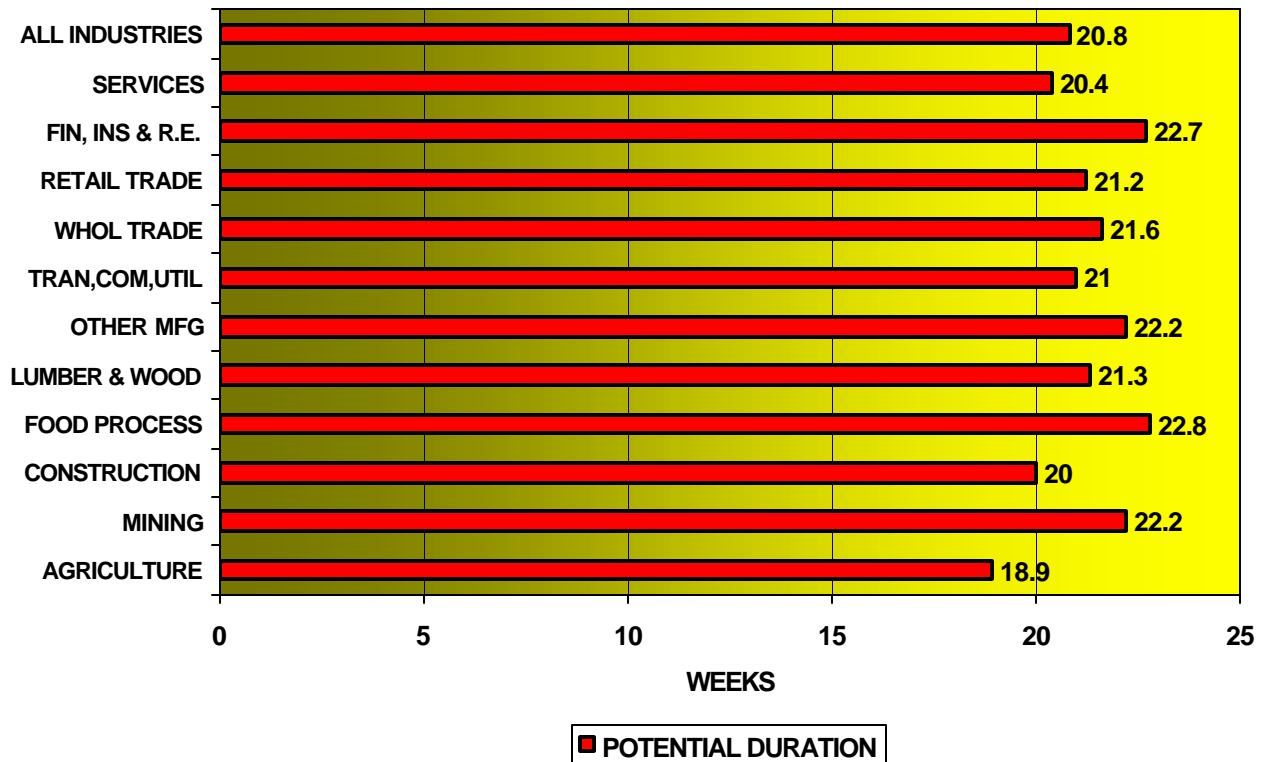
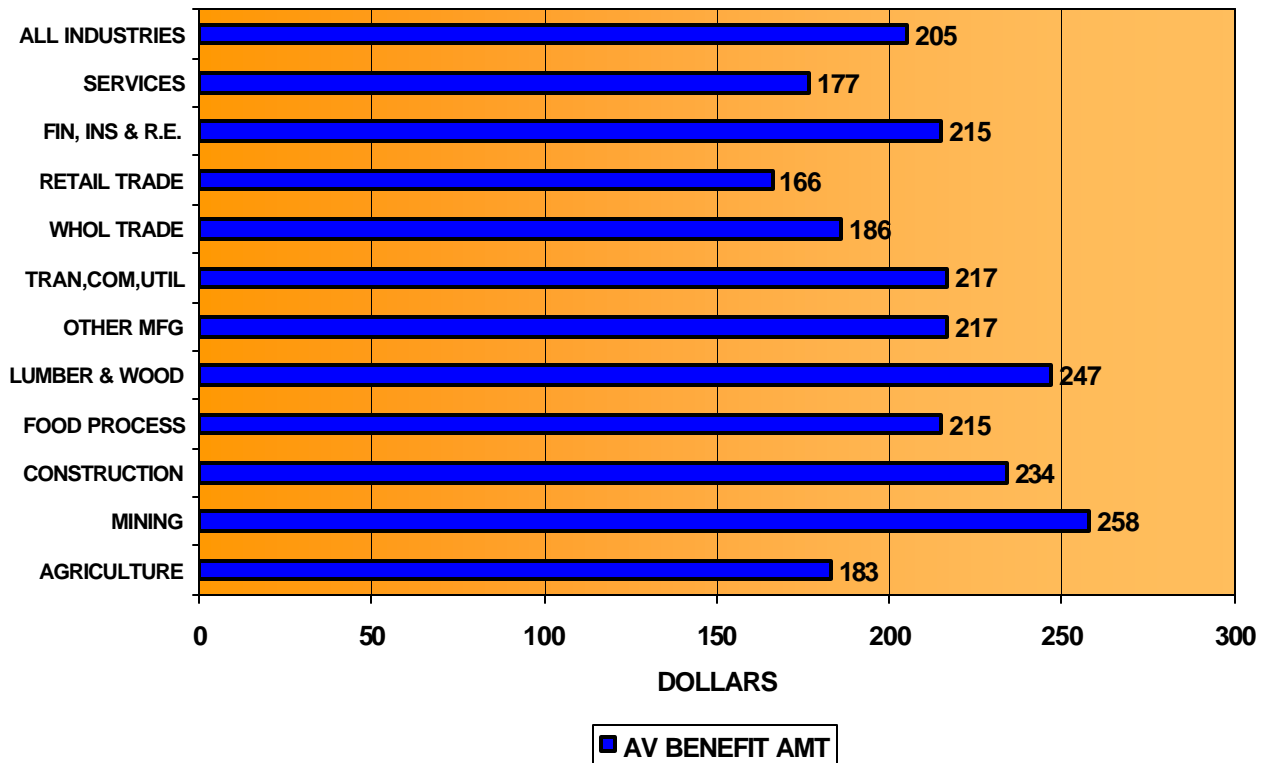
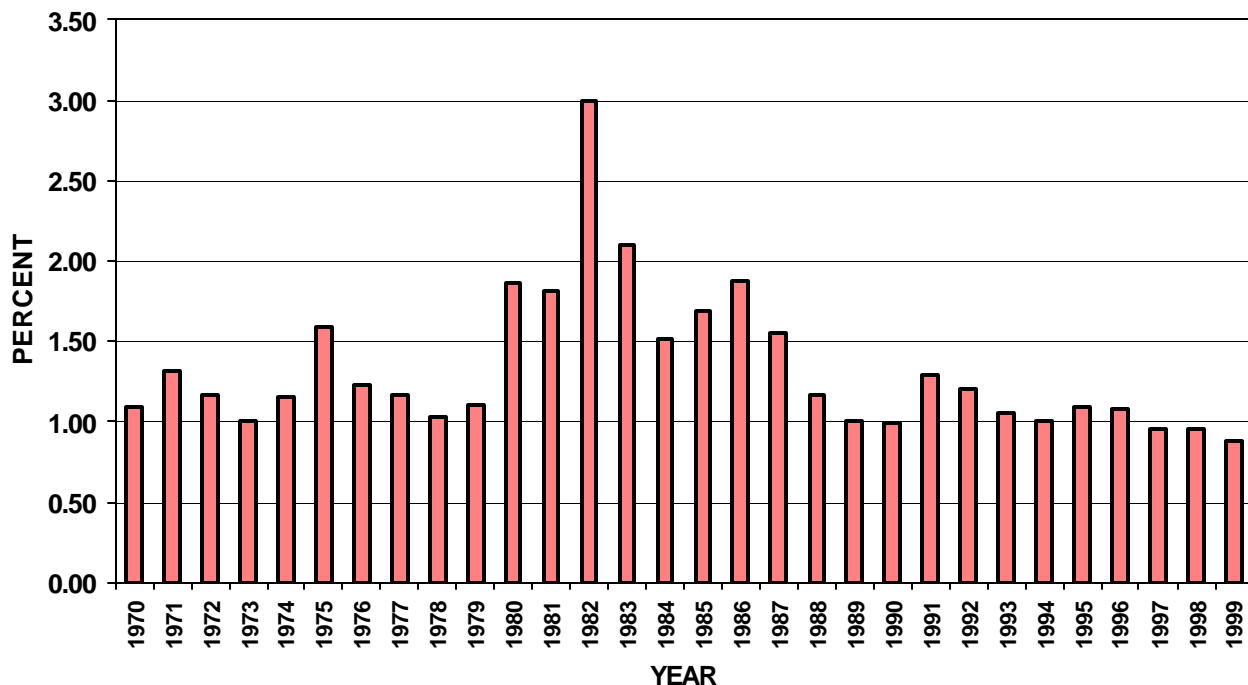


FIGURE 15: AVERAGE WEEKLY BENEFIT ENTITLEMENT, 1999



**FIGURE 16: BENEFITS PAID AS A PERCENT OF TOTAL WAGES
1970-1999**



per week in the services industries to \$258 per week in the mining industries. The average weekly benefit entitlement for all industries in 1999 was \$205, which represents a 6.8% increase from the \$192 recorded in 1998.

BENEFIT COST RATE

Benefits paid as a ratio of total covered wages is known as the Unemployment Insurance cost rate. This is a useful measure in any analysis of UI program costs. The costs of the UI program made relative to total wages presents a good indicator of business cycles. Figure 16 presents a historical perspective of this measure.

In Idaho, total covered wages have been growing at a healthy rate. During the recessionary periods in the 1980s, the costs of the UI program relative to wages was clearly above nonrecessionary periods. For example, in 1983, benefits were 3 percent of wages compared to about 1 percent during the period of 1993 through 1999.

TRUST FUND TREND

Idaho's 1999 year-end trust fund balance was \$332.8 million, which was less than .1% higher than the \$330.8 million recorded at the close of 1998.

This minor change essentially keeps the fund at the same level for the last three consecutive years. The stability of the fund has been maintained even though the 1998 "re-write" of Idaho's Unemployment Insurance Law resulted in a tax reduction for the great majority of tax-rated employers.

The obvious reason is that Idaho has recorded historically low insured unemployment rates which result in low payouts from the fund in terms of benefit costs (benefits paid out as a ratio of total wages). Growth in wages contributes to higher UI contributions that add money to the fund.

Additionally, meaningful growth in covered employment and a concomitant increase in wages, resulting from a vibrant growth in Idaho's economy has sustained the fund balance at a stable level.

Also, a fund produces revenue in the form of

interest. During the State fiscal year ending June 30, 1999, Idaho's UI trust fund was credited with \$17.2 million in earned interest. For the quarter ending June 30, 2000, the trust fund earned an interest rate of 6.58 percent.

Absolute trust fund balances provide little insight into a fund's ability to withstand the pressures that a recession would place upon it. The question of "how much is enough?" is discussed at the beginning of this report on page 8.

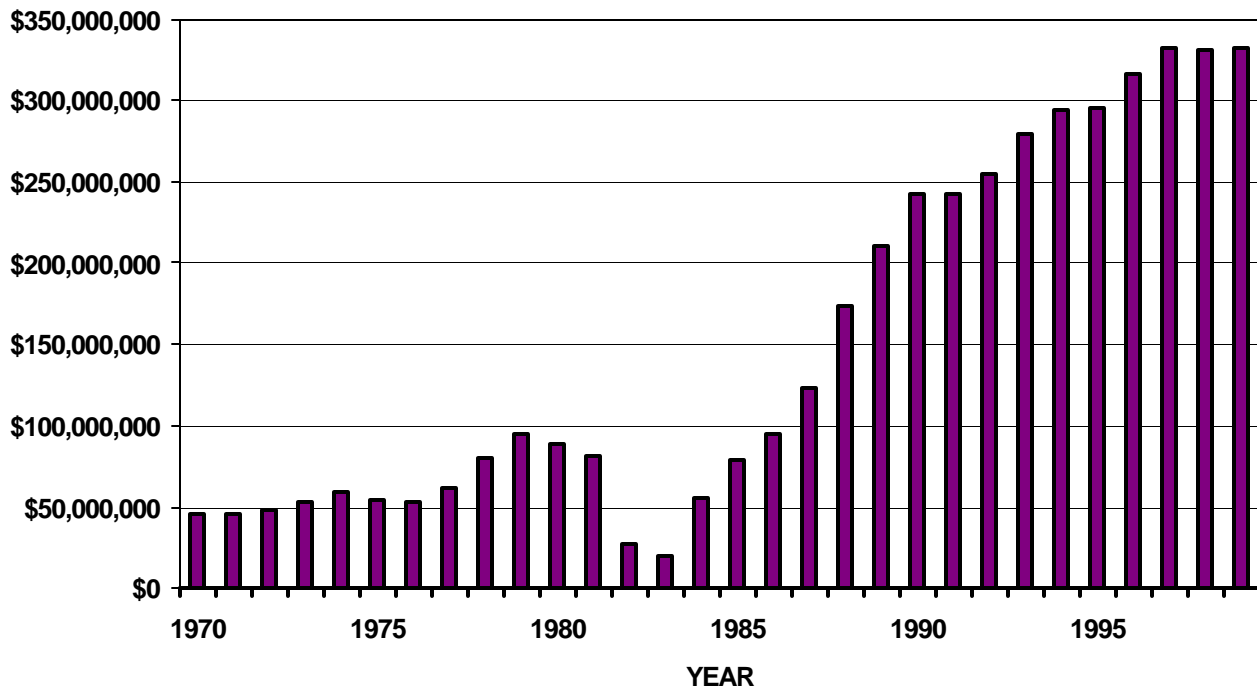
TABLE 3

Trust Fund Balances

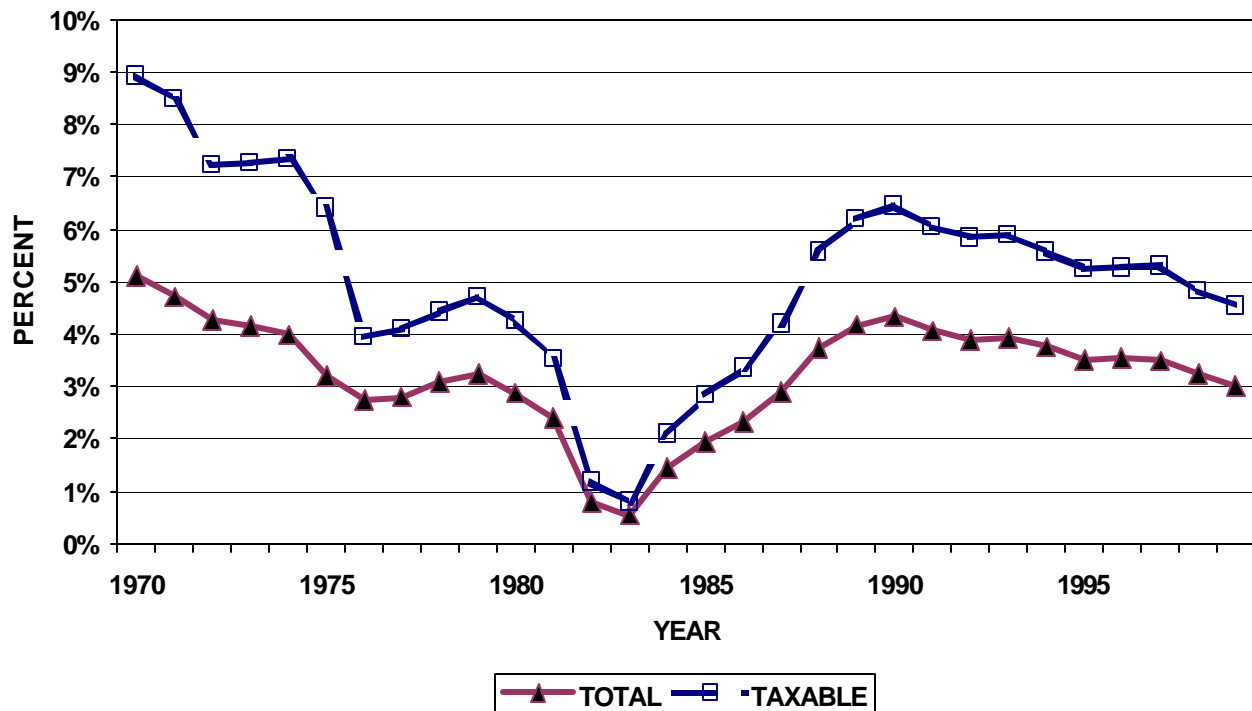
End of Calendar Year	Balance
1999	\$332,837,261
1998	330,814,400
1997	331,703,776
1996	316,391,695
1995	295,719,659
1994	293,701,173
1993	279,061,261
1992	254,684,281
1991	242,051,342
1990	242,620,136
1989	211,056,297
1988*	169,854,239
1987	123,229,602
1986	94,431,892
1985	78,721,677
1984	55,096,831
1983	19,545,062
1982	26,850,066
1981	81,126,648
1980	88,831,235
1979	94,847,493
1978	80,619,893
1977	61,729,579
1976	53,452,492
1975	53,598,047
1974	58,915,087

*1989 Legislature changed computation from an accrual basis to a cash basis

**FIGURE 17: IDAHO UI TRUST FUND YEAR-END BALANCES
1970-1999**



**FIGURE 18: IDAHO UI TRUST FUND YEAR-END BALANCES AS A
PERCENT OF WAGES**



EXPERIENCE RATING

A tax on the payrolls of employers covered by Idaho's Unemployment Insurance Law is the source of the revenue to pay UI benefits. Experience rating is the process that determines the rates that individual covered employers pay on their workers.

Idaho is a reserve ratio state. Simply, a reserve ratio is the ratio of reserve in an employer's account to the employer's average taxable payroll over the last four years.

Rates are calculated and assigned on the basis of the individual employer's own UI experience and the employer's relationship to all other employers—the array method. A positive experience factor means the accumulated total of taxes paid by an employer is in excess of the accumulated total benefit payments paid. A negative experience factor means the accumulated total of benefit payments charged to an employer's account was in excess of the accumulated total taxes paid. Un-

rated employers are assigned a standard rate. The unrated group consists of new employers or those who have not filed necessary forms or paid all taxes due.

Most Idaho employers are positive rated. For rate year 2000, positive rated taxable payroll accounted for 84.7 percent of the total compared to 10.2 percent that were negative rated and 5.1 percent that were unrated.

The mix among the positive, negative, and unrated taxable payroll varies greatly among the broad industry groupings. Generally the high cost industries such as construction, agriculture, and lumber have the higher negative ratios, as shown in Figure 20 on page 27. The obvious reason for this disparity is that these industries have seasonal employment patterns. For example, 40.3 percent of Construction employers are negative rated; whereas, only 1.1 percent of Finance, Real Estate, & Insurance employers are negative rated.

Year to year, significant changes in the rating of

(Continued on page 27)

**FIGURE 19: TAXABLE WAGES AS A PERCENT OF TOTAL WAGES
1970-1999**

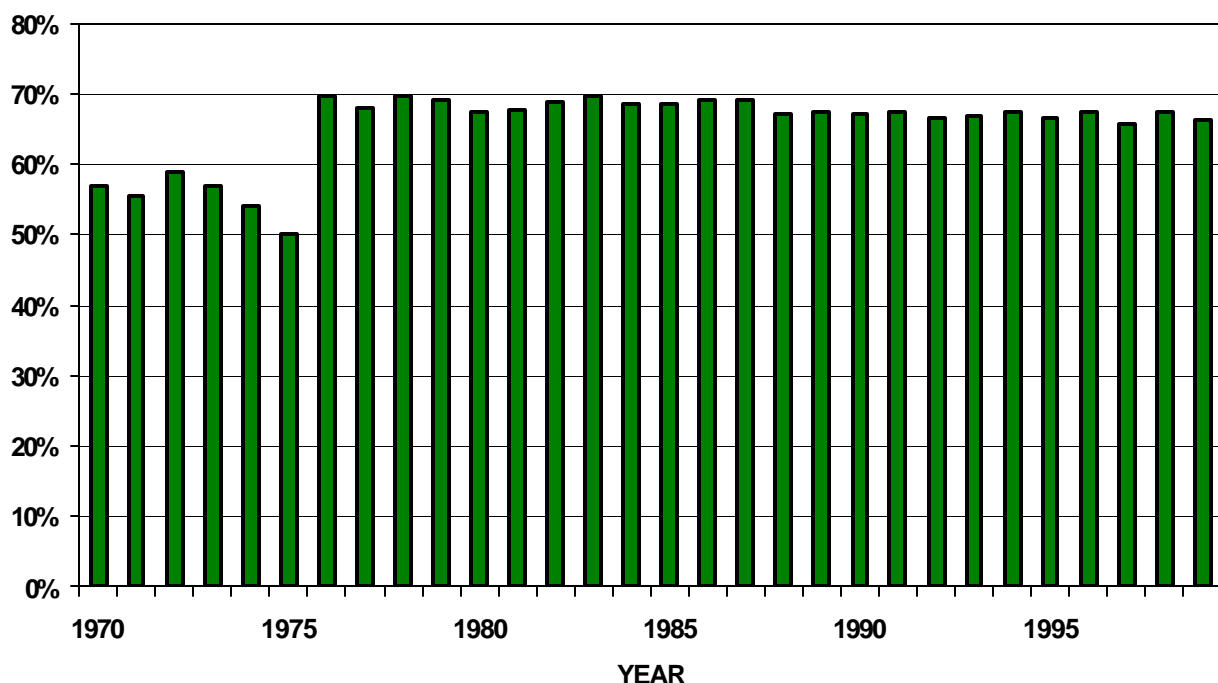


TABLE 4**Ratio of Fund to Total Wages by Rate Year**

Rate Year ^a	Fund Balance to Total Wages (Millions)	Ratio	Rate Schedule
2001	340.6 ÷ 11,052.3	=.0310	II
2000	325.3 ÷ 10174.3	=.0320	II
1999	327.2 ÷ 9515.3	=.0344	II
1998	324.3 ÷ 8909.3	=.0364	II ⁱ
1997	306.6 ÷ 8453.1	=.0363	I ^h
1996	290.6 ÷ 7815.9	=.0372	II ^g
1995	293.7 ÷ 7094.1	=.0414	I
1994	279.1 ÷ 6539.6	=.0427	I
1993	254.7 ÷ 5961.7	=.0425	II
1992	242.1 ÷ 5605.2	=.0432	II
1991	242.6 ÷ 5061.9	=.0479	I
1990	211.0 ÷ 4635.5	=.0455	II
1989	169.8 ÷ 4247.9	=.0400	III ^f
1988	94.4 ÷ 4067.8	=.0232	VI ^d
1987	78.7 ÷ 4058.9	=.0194	VIII ^d
1986	55.1 ÷ 3869.7	=.0142	VI ^c
1985	19.5 ÷ 3579.9	=.0055	VI ^c
1984	26.8 ÷ 3351.9	=.0080	VII ^b
1983	81.1 ÷ 3394.5	=.0239	VI ^b
1982	88.8 ÷ 3102.8	=.0286	V
1981	94.8 ÷ 2917.5	=.0325	IV
1980	80.6 ÷ 2613.5	=.0308	V
1979	61.7 ÷ 2213.3	=.0279	V
1978	53.5 ÷ 1979.7	=.0270	VI
1977	53.6 ÷ 1691.7	=.0317	V
1976	58.9 ÷ 1479.7	=.0398	III

a-Effective January 1, 1976, computation period changed from June 30 of the prior year to December 31 of the second prior year.

b-1983 Legislature determined which rate schedules would be effective in 1983,1984, and 1985. Legislature also changed rate schedules.

c-1985 Legislature determined that Rate Schedule VI would be effective for rate years 1985 and 1986.

d-1987 Legislature determined that Rate Schedule VI would be effective for rate years 1987 and 1988.

e-1989 Law revisions changed the calculation of Dec. 31, fund balance from an accrual basis to a cash basis.

f-1989 Legislature changed method for computation of which rate schedule is effective.

g-1995 Legislature changed the Computation date from Dec. 31 to Sept. 30.

h-1997 Legislature determined that Rate Schedule I would be effective for rate year 1997.

i-1998 Legislature determined that Rate Schedule II would be effective for rate year 1998.

TABLE 5**Average Tax Rate & Taxable Wage Base by Rate Year**

Rate Year	Taxable Wage Base (\$)	Average Tax Rate (%)
2001	25,700	1.19
2000	24,500	1.19
1999	23,600	1.19
1998	23,000	1.19
1997 ^c	21,000	1.36
1996	21,600	1.76
1995	21,000	1.36
1994	20,400	1.36
1993	19,200	1.76
1992	18,600	1.76
1991	18,000	1.36
1990	17,400	1.76
1989	16,800	2.16
1988	16,200	2.96
1987	16,200	2.96
1986	15,600	2.96
1985	15,000	2.96
1984	14,400	3.36
1983 ^b	14,400	2.96
1983 ^a	14,400	2.31
1982	13,200	2.11
1981	12,000	1.91
1980	10,800	2.11
1979	10,200	2.11
1978	9,600	2.31
1977	8,400	2.11
1976	7,800	1.71
1975	4,200	1.71
1974	4,200	2.31
1973	4,200	2.11

a-Beginning 1/1/83 - 3/30/83

b-Beginning 4/1/83 - 12/31/83

c-1997 Legislature determined that taxable wage base would be set to the 1995 level of \$21,000 and the Rate Schedule I, with an average rate of 1.36 would be in effect for rate year 1997.

TABLE 6												
Schedules of Taxable Wage Rates												
Effective January 1, 2001												
				Schedule I	Schedule II	Schedule III	Schedule IV	Schedule V	Schedule VI	Schedule VII	Schedule VIII	Schedule IX
Minimum Ratio of Fund to Total Wages								ACM				-
Ratio Computed for 1999				0.036	0.031	0.026	0.021	0.016	0.011	0.006	0.001	-
Cumulative Taxable Payroll Limits				Taxable Wage Rates for Positive-Rated Employers								
Rate Class	More Than (% of Taxable Payroll)	Equal to or Less Than (% of Taxable Payroll)	% Per Rate Class									
1	-	12	12	0.1	0.2	0.4	0.8	1.2	1.6	2.0	2.2	2.4
2	12	24	12	0.2	0.4	0.6	1.0	1.4	1.8	2.2	2.4	2.6
3	24	36	12	0.4	0.6	0.8	1.2	1.6	2.0	2.4	2.6	2.8
4	36	48	12	0.6	0.8	1.0	1.4	1.8	2.2	2.6	2.8	3.0
5	48	60	12	0.8	1.0	1.2	1.6	2.0	2.4	2.8	3.0	3.2
6	60	72	12	1.0	1.2	1.4	1.8	2.2	2.6	3.0	3.2	3.4
7	72	-	28	1.2	1.4	1.6	2	2.4	2.8	3.2	3.4	3.6
				Taxable Wage Rates for Standard-Rated Employers								
				1.3	1.5	1.7	2.1	2.5	2.9	3.3	3.5	3.7
Cumulative Taxable Payroll Limits				Taxable Wage Rates for Deficit-Rated Employers								
Rate Class	More Than (% of Taxable Payroll)	Equal to or Less Than (% of Taxable Payroll)	% Per Rate Class									
-1	-	30	30	2.4	2.6	2.8	3.2	3.6	4	4.4	4.6	4.8
-2	30	50	20	2.8	3.0	3.2	3.6	4.0	4.4	4.8	5.0	5.2
-3	50	65	15	3.2	3.4	3.6	4.0	4.4	4.8	5.2	5.4	5.6
-4	65	80	15	3.6	3.8	4.0	4.4	4.8	5.2	5.6	5.8	6.0
-5	80	95	15	4.0	4.2	4.4	4.8	5.2	5.6	6.0	6.2	6.4
-6	95	-	5	5.4	5.4	5.4	5.4	5.6	6.0	6.4	6.6	6.8
Average Tax Rate for Positive-Rated, Standard-Rated, & Deficit-Rated Employers				1.0	1.2	1.4	1.8	2.2	2.6	3.0	3.2	3.4

TABLE 7
Total & Taxable Payroll for Positive-Rated, Negative-Rated, & Unrated Employers
by Major Industry for Rate Year 2000*

Major Industry Group	Positive-Rated Employers		Negative-Rated Employers		Unrated Employers	
	Total Payroll (\$000)	Taxable Payroll (\$000)	Total Payroll (\$000)	Taxable Payroll (\$000)	Total Payroll (\$000)	Taxable Payroll (\$000)
Agriculture, For., & Fishing	227,089	197,058	97,143	85,022	22,571	20,767
Mining	75,768	42,101	18,054	11,832	1,075	1,007
Construction	491,686	344,568	347,085	266,303	54,572	49,504
Total Manufacturing	2,414,794	1,412,421	235,684	174,657	24,299	21,010
Food & Kindred Products	433,819	307,119	77,408	58,270	340	291
Lumber & Wood Products	313,195	193,524	94,418	70,384	4,263	4,178
Trans., Comm and Utilities	627,192	398,828	29,945	26,542	31,750	29,379
Wholesale & Retail Trade	2,246,952	1,676,664	77,908	62,366	86,456	25,272
Finance, Ins., & Real Estate	619,905	383,021	5,349	4,370	27,103	14,599
Services	1,931,028	1,279,843	70,682	61,924	186,574	131,015
Total*	8,634,413	5,734,505	881,851	693,016	434,401	342,554

*Computation includes wages, tax, and benefits paid through June 30, 1999. Columns may not add because of rounding.

TABLE 8
Percent of Taxable Payroll for Positive-Rated, Negative-Rated, & Unrated Employers
by Major Industry for Rate Year 2000

Major Industry Group	% Positive-Rated	% Negative-Rated	% Unrated
Agriculture, For., & Fishing	65.1	28.1	6.9
Mining	76.6	21.5	1.8
Construction	52.3	40.3	7.5
Total Manufacturing	87.8	10.9	1.3
Food & Kindred Products	83.9	15.9	.1
Lumber & Wood Products	72.2	26.3	1.6
Trans., Comm and Utilities	87.7	5.8	6.5
Wholesale & Retail Trade	92.4	3.4	4.1
Finance, Ins., & Real Estate	95.3	1.1	3.6
Services	86.9	4.2	8.9
All Industries*	84.7	10.2	5.1

*Computation includes wages, tax, and benefits paid through June 30, 1999.

employers can occur because of economic factors that affect particular industries. Often there is a wide dispersion within the broad industry categories.

EXPERIENCING RATING: BENEFITS CHARGED AND NOT CHARGED

The charging and not charging of UI benefits to any tax rated employer account is an important factor in benefit costs and benefit financing because the noncharges represent costs that are born by all tax rated employers as pooled costs to the fund.

The experience rating system has imperfections, however. There are three reasons that benefits paid out do not increase the tax imposed upon an employer: (1) the employer is at the minimum or maximum tax rate (ineffectively charged benefits); (2) the employer is no longer operating (inactive charges); (3) the benefits are not charged back to the employer's account (noncharged bene-

fits). Foremost among these factors is the non-charging of benefits.

According to Idaho Code, some UI benefits paid to unemployed workers are nonchargeable. Benefits are not charged to any individual employer's account for the following reasons:

- Benefits paid to a worker who voluntarily quits without good cause or was discharged for misconduct from the base period employer. (A claimant would initially be denied benefits under these two scenarios, but could overcome this disqualification by earning twelve times his/her benefit amount and then becoming unemployed through no fault of his/her own.)
- The proportion of benefits paid to multistate claimants (wage combining) exceeded the benefits computed using only Idaho wages.
- Benefits were paid in accordance with an ex-

FIGURE 20: POSITIVE, NEGATIVE & UNRATED ACCOUNTS BY INDUSTRY, 1999

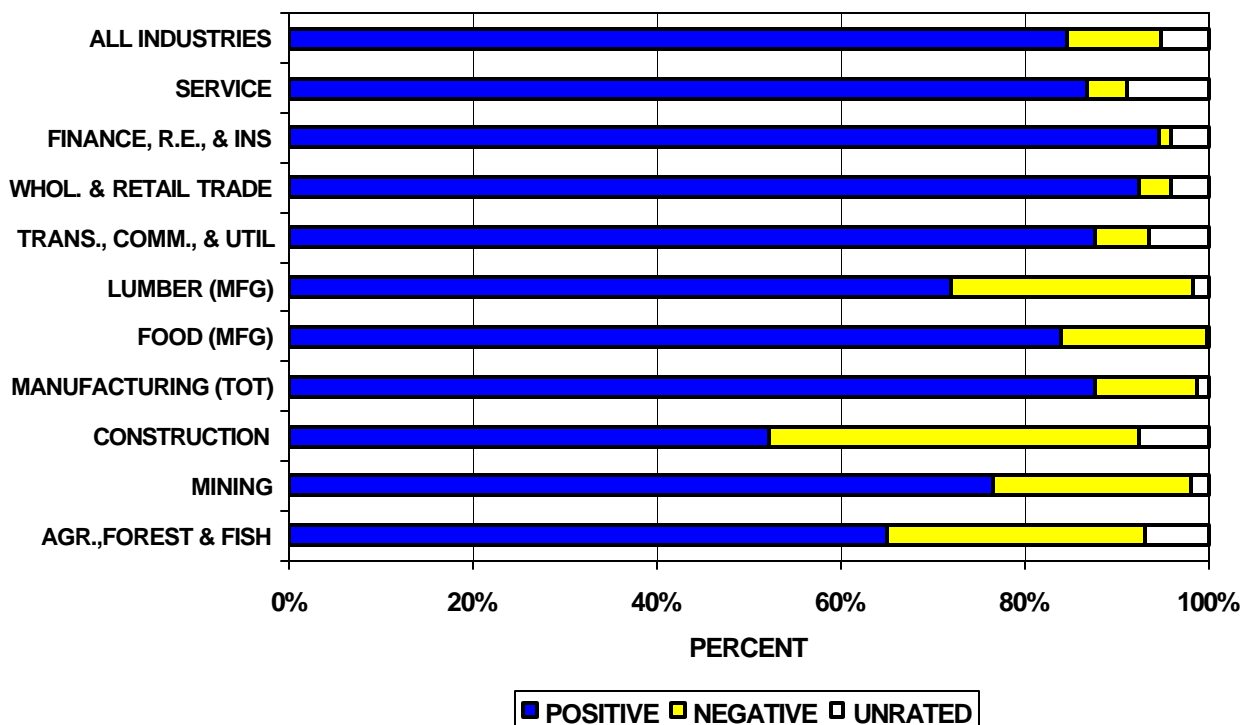


TABLE 9

**Benefits Charged & Not Charged & Percent of Benefits Not Charged to Employer Accounts
by Major Industry for Fiscal Year 2000**

Major Industry Group	Charged \$ (000)	Not Charged \$ (000)	Total Benefits \$ (000)	% of Benefits Not Charged
Agriculture, For., & Fishing	\$ 6,388	\$ 905	\$ 7,293	12.4 %
Mining	1,324	190	1,514	12.5 %
Construction	19,470	3,427	22,897	14.9 %
Food & Kindred Products Mfg.	6,976	1,121	8,097	13.8 %
Lumber & Wood Products Mfg.	8,178	1,414	9,592	14.7 %
Other Manufacturing	5,015	1,623	6,638	24.5 %
Trans., Comm and Utilities	3,931	1,388	5,319	26.1 %
Wholesale Trade	4,357	1,442	5,799	24.9 %
Retail Trade	6,910	3,354	10,264	32.7 %
Finance, Ins., & Real Estate	2,192	585	2,777	21.1 %
Services	11,509	3,552	15,061	23.6 %
Total*	76,248	19,003	95,251	20.0 %

*Columns may not add because of rounding.

TABLE 10

**Contributions by Industry
Calendar Years 1998 & 1999**

Major Industry Group	CY1998 (millions)	CY1999 (millions)	% Change
Agriculture, For., & Fishing	\$ 5.19	\$ 5.45	5.0
Mining	0.91	.91	1.1
Construction	12.49	14.28	14.3
Food & Kindred Products Mfg.	4.87	5.01	2.8
Lumber & Wood Products Mfg.	4.71	4.74	.6
Other Manufacturing	9.50	9.54	.4
Trans., Comm and Utilities	4.60	5.20	13.0
Wholesale Trade	5.60	6.40	14.3
Retail Trade	11.10	11.81	6.4
Finance, Ins., & Real Estate	3.50	3.76	7.4
Services	16.58	18.43	11.2
Total*	78.75	85.54	8.6

*Columns may not add because of rounding.

tended benefit program.

- Benefits were paid, but eligibility was subsequently reversed, and the claimant was eligible for a waiver of the overpayment.
- Benefits paid to a worker who continues to work for the subject employer while receiving benefits because of layoff from another employer.

During FY 2000, \$19.0 million in benefits were not charged. These non-charges represent 20 percent of the total \$95.3 million UI benefits.

The data in Table 9 on page 28 clearly show that there are meaningful differences in non-charged benefits by major industry categories. Generally, industries with seasonal layoff patterns show a lower percent of noncharged benefits. This is traditionally reflected in the higher tax rates paid by employers in those high cost industries.

BENEFITS

Idaho's insured unemployment rate in the last several years has reached progressively new lows with each new period recorded. These record-low rates are, no doubt, a result of a vibrant Idaho economy and a healthy job market. The \$95.3 million paid from the fund in FY 2000 is 5% lower than the \$100.1 million paid out in FY 1999. This occurred even though the maximum weekly benefit amount paid during FY 2000 was \$282 compared to \$273 paid during FY 1999—a 3% increase.

The net benefits paid out as a ratio of total wages is a meaningful, relative measure of benefit levels. The computation of this ratio produces a measure referred to as the "cost-rate". Table 15 graphically shows that the cost rate for Idaho in CY 1999 is the lowest rate, at .88 percent in the last twenty-five years. During the last three years, the benefit cost rate is below 1% of total wages.

TAXES

During Calendar Year 1999, \$85.54 million in taxes were paid into the fund. This is a marginal increase of about 8% over the \$78.75 million paid out in Calendar Year 1998. As the same rate

schedule was in effect both years, the increases in tax receipts can be attributed primarily to a vibrant Idaho economy characterized by growth in both employment and wages.

In FY 1999, \$121.86 in UI benefits were paid out from the fund for every \$100.00 paid into the fund in taxes. In this relative measure there are major differences evident when the data are viewed on a major industry basis. (See Table 12 on page 30.) For example: the lumber and wood processing industry in FY 1999 paid out \$201.76 in benefits for each \$100.00 paid in contributions. On the other extreme, Finance, Real Estate, and Insurance paid out \$55.49 for each \$100.00 paid in.

TABLE 11
Benefits Paid & Employer Taxes

Fiscal Year	Benefits (Millions)	Taxes (Millions)
1980	\$46.4	\$43.9
1981	54.7	43.6
1982	87.9	45.4
1983	98.4	58.5
1984	66.7	86.0
1985	64.9	86.9
1986	72.5	83.2
1987	72.2	84.4
1988	58.0	90.6
1989	53.4	81.0
1990	51.4	68.3
1991	68.4	57.7
1992	78.7	66.5
1993	78.3	83.5
1994	73.7	77.9
1995	88.1	78.1
1996	95.8	95.4
1997	92.0	95.7
1998	93.8	86.5
1999	100.1	82.1
2000	95.3	INA

TABLE 12

Benefits Paid Per \$100 of Employer Unemployment Insurance Tax* by Major Industry Group
(Fiscal Year)

Major Industry Group	1984	1985	1986**	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Agriculture, For., & Fish	\$75.21	\$80.86	-	\$87.55	\$77.27	\$86.40	\$89.08	\$131.04	\$182.10	\$136.06	\$130.22	\$177.30	\$121.93	\$108.62	130.51	142.14
Mining	54.68	97.10	-	110.36	66.45	57.68	75.23	220.00	312.16	320.65	179.98	108.41	108.11	111.65	204.36	213.62
Construction	122.52	126.34	-	128.28	130.03	132.77	122.13	165.88	196.61	147.23	128.63	162.05	153.24	152.31	199.85	187.84
Food & Kindred Products Mfg.	95.11	96.38	-	112.39	102.27	99.27	142.10	160.21	141.25	116.00	124.04	149.83	123.63	122.53	153.47	136.34
Lumber & Wood Products Mfg.	90.58	138.26	-	113.59	110.18	98.12	110.35	245.68	154.28	138.40	142.98	223.51	194.05	198.61	187.55	201.76
Other Manufacturing	53.99	58.93	-	45.40	40.08	50.67	55.02	99.35	79.70	63.71	61.15	64.63	59.18	64.07	68.55	91.48
Trans., Comm and Utilities	50.64	55.84	-	53.59	50.53	57.75	66.64	116.28	101.43	82.91	106.18	116.63	98.90	100.81	115.13	109.53
Wholesale Trade	59.56	62.17	-	56.94	54.41	53.89	64.85	93.71	105.73	91.63	75.88	84.46	65.11	65.52	86.68	96.21
Retail Trade	48.02	50.28	-	49.90	47.15	45.05	50.61	73.67	84.08	65.19	73.13	84.72	69.32	68.66	82.40	94.93
Finance, Ins., & Real Estate	25.71	27.88	-	33.83	33.53	33.47	33.46	59.26	61.98	46.18	47.77	83.39	69.18	68.69	59.43	55.49
Services	44.16	42.97	-	40.67	37.12	39.39	46.27	68.39	75.82	59.03	71.12	76.42	68.86	67.71	80.89	95.56
Total*	\$66.74	\$72.62	\$87.03	\$68.87	\$64.04	\$66.54	\$75.20	\$118.67	\$117.71	\$93.74	\$94.61	\$114.53	\$96.43	\$96.15	115.04	121.86

*Includes state share of extended benefits.

**FY1986 data by major industry group not available because of a redesign of the benefit payment system in FY1986.

TABLE 13

Taxes & Benefits: Percent of Total by Major Industry for FY1999

Major Industry Group	Taxes (millions)	Percent of Total	Benefits Paid (millions)	Percent of Total
Agriculture, For., & Fish	\$5.34	6.5	\$7.59	7.6%
Mining	.89	1.1	1.91	1.9
Construction	13.36	16.3	25.10	25.1
Food & Kindred Products, Mfg.	4.88	5.9	6.66	6.7
Lumber & Wood Products, Mfg.	4.68	5.7	9.44	9.4
Other Manufacturing	9.35	11.4	8.55	8.5
Trans., Comm and Utilities	4.88	5.9	5.34	5.3
Wholesale Trade	6.08	7.4	5.49	5.5
Retail Trade	11.44	13.9	10.86	10.8
Finance, Ins., & Real Estate	3.65	4.4	2.03	2.0
Services	17.56	21.4	16.73	16.7
Total*	82.11	100%	100.01	100%

*Columns may not add because of rounding.

FIGURE 21: BENEFITS PER \$100 OF TAXES BY INDUSTRY, 1999

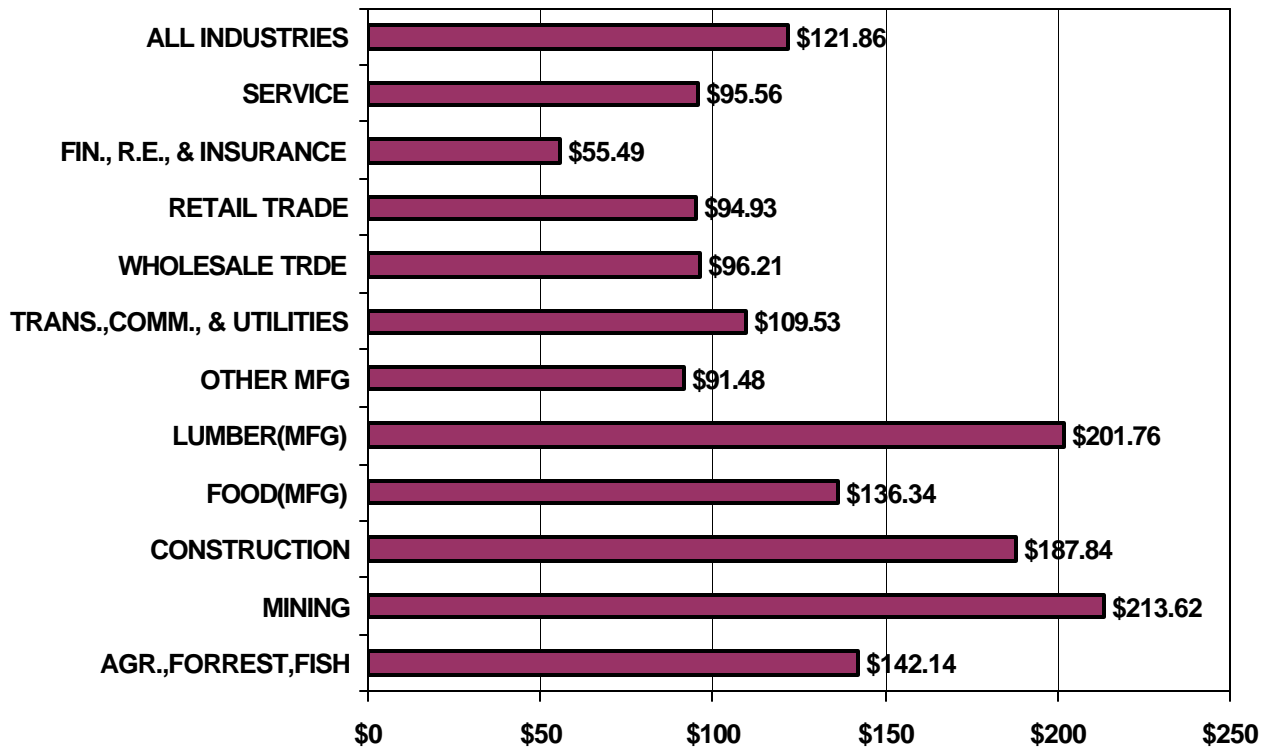


FIGURE 22: PERCENT OF TOTAL BENEFITS BY INDUSTRY, FY 1999

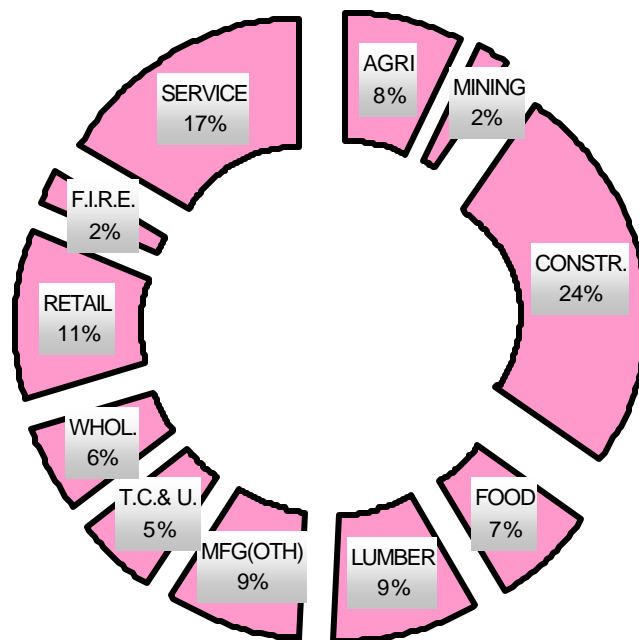


FIGURE 23: PERCENT OF TOTAL TAXES BY INDUSTRY, FY 1999

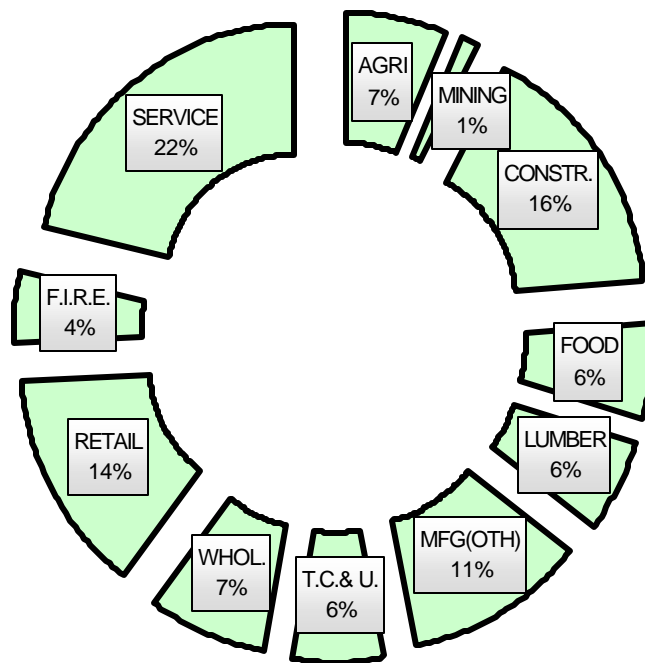


FIGURE 24: PERCENT OF TOTAL BENEFITS, FY 2000

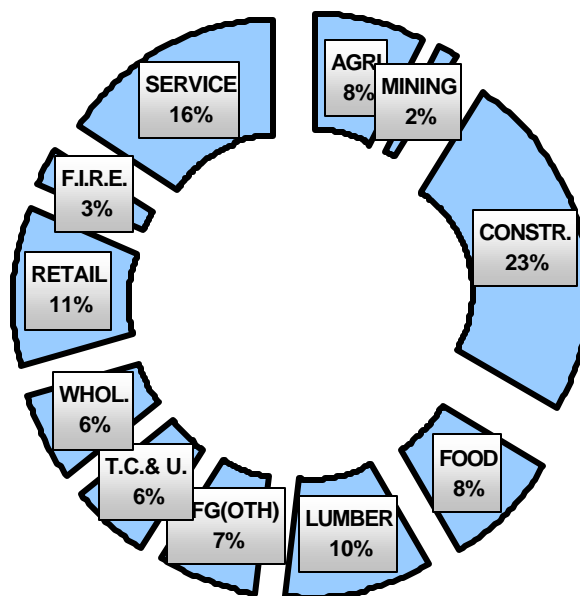


FIGURE 25: TAXES & BENEFITS (MILLIONS \$), FY 1999

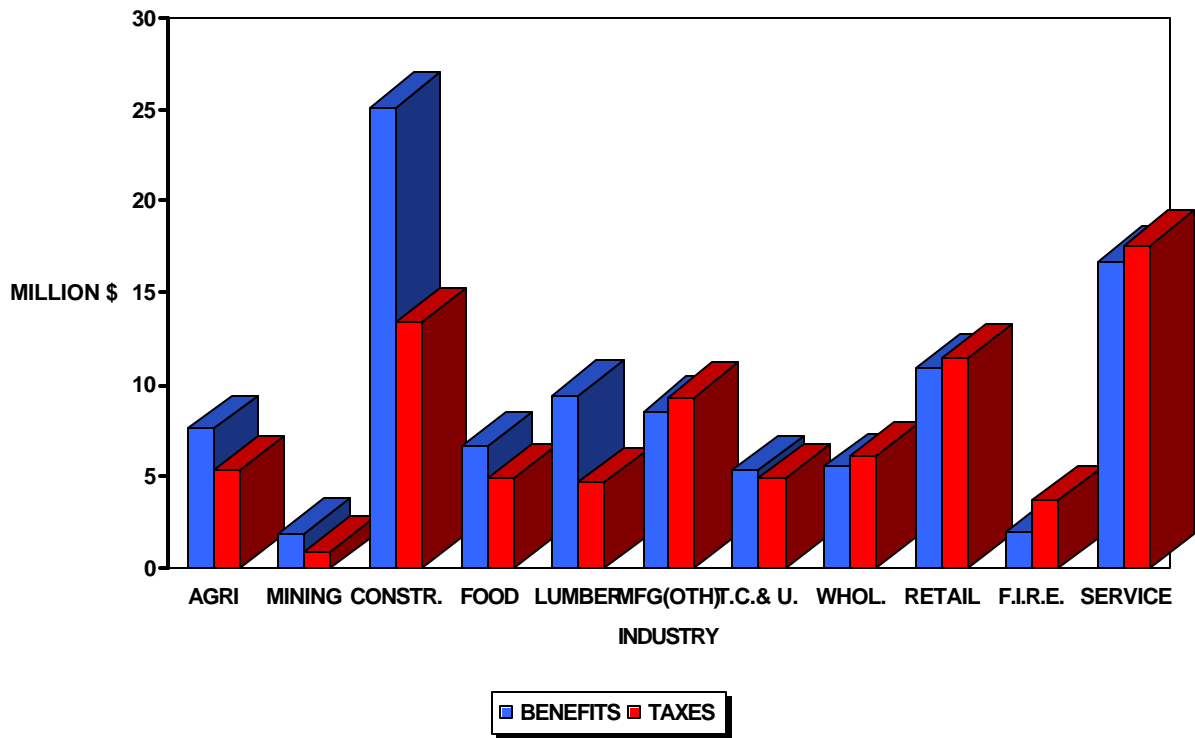


FIGURE 26: AVERAGE TAXES PER WORKER, CY 1999

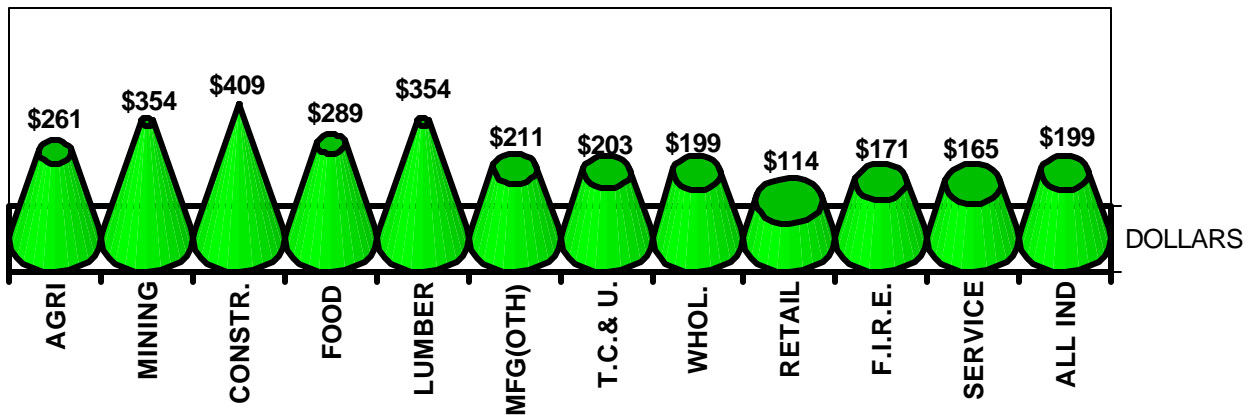


TABLE 14**UI Benefits Paid as a Percent of Total by Major Industry, FY 2000**

Major Industry Group	Benefits Paid (millions)	% of Total
Agriculture, For., & Fish	\$ 7.3	7.6 %
Mining	1.5	1.6 %
Construction	22.9	24.0 %
Food & Kindred Products	8.1	8.5 %
Lumber & Wood Products	9.6	10.1 %
Other Manufacturing	6.6	6.9 %
Trans., Comm and Utilities	5.3	5.6 %
Wholesale Trade	5.8	6.1 %
Retail Trade	10.3	10.8 %
Finance, Ins., & Real Estate	2.8	2.9 %
Services	15.1	15.8 %
Total*	\$ 95.3	100.0 %

*Columns may not add because of rounding.

TABLE 15**Net UI Benefits Paid as a Percent of Total Wages of Experience Rated Employers**

Calendar Year	Idaho Total Wages (millions)	Idaho Net UI Benefits (millions)	Idaho %	United States %*
1999	\$11,052	\$ 97.3	.88	INA
1998	10,174	97.6	.96	0.58
1997	9515.3	90.6	.95	0.64
1996	8909.3	95.8	1.08	0.76
1995	8453.1	91.8	1.09	0.80
1994	7815.9	78.3	1.00	0.86
1993	7094.1	74.4	1.05	0.92
1992	6539.6	78.2	1.20	1.10
1991	5961.7	77.2	1.29	1.20
1990	5605.2	55.3	0.99	0.90
1989	5061.9	51.3	1.01	0.85
1988	4635.5	54.6	1.18	0.69
1987	4248.0	66.0	1.55	0.81
1986	4067.8	76.3	1.88	0.99
1985	4058.9	68.3	1.68	0.95
1984	3869.7	56.4	1.46	0.92
1983	3579.9	74.9	2.09	1.51
1982	3351.9	106.3	3.17	1.83
1981	3394.5	59.8	1.76	1.23
1980	3102.8	57.3	1.85	1.43
1979	2917.5	34.5	1.18	0.96
1978	2613.5	25.8	0.99	0.97
1977	2213.3	25.5	1.15	1.28

*Source: Handbook of Unemployment Insurance Financial Data DOL/ETA/UIS Actuarial Division

Meaningful changes in the relationships among the major industries over time are also evident in the data. There are many reasons why these phenomena occur in addition to the most obvious—rate schedules. But the underlying basis for differences are changes in business cycles. Some other meaningful factors include: changes in the taxable wage base, changes in wage levels, layoffs in particular industries, changes in use of temporary and/or part-time workers, and worker turnover.

EFFECTIVE TAX RATE

Effective tax rate is the tax rate employers pay based upon total covered wages as opposed to the taxable wages discussed in the previous section. It is defined as taxes paid by employers divided by total covered wages times 100. Its usefulness lies in the fact that valid comparisons can be made with other states, by industry and over periods of time. Most important is the fact that the effective tax rate makes allowances for differences in tax rate schedules, tax bases, and tax laws and provides a common basis for evaluation.

The average effective tax rate in both calendar years 1998 and 1999 was 0.8 percent of total wages. This is one-tenth of a percentage point less

than the 0.9 percent in 1997. The reason for this decrease was the changes made in the tax rate schedules in 1998 by the Idaho Legislature.

The tax schedule in effect for any given year is the major contributor to the effective tax rate. Which tax schedule is in effect is an outcome of Idaho's indexed tax rate formula which also takes into consideration many other factors such as the size of trust fund, the size of total Idaho covered payroll, and average costs of benefits.

There are significant differences in the effective tax rate among the various broad industries, with the high cost industries showing the higher tax rates, which is consistent with the objectives of an experience rating tax system. Over time, however, the relative differences between the various industry categories have remained reasonably constant.

TAXABLE-TOTAL RATIO

The taxable-total ratio is the percent of total wages against which tax rates are actually applied. This ratio is an important measure in the financing of the UI program because it is an indicator of cross-subsidization of program costs among the various industry groups. Historical data clearly

TABLE 16
Total Payroll, Taxable Payroll, Taxes, & Average Effective Tax Rate*
by Major Industry, CY1999

Major Industry Group	Total Payroll (millions)	Taxable Payroll (millions)	Taxes (millions)	Average Effective Tax Rate (%)
Agriculture, For., & Fish	\$ 380.0	\$ 327.7	\$ 5.45	1.43
Mining	102.4	59.4	.91	.89
Construction	974.4	718.2	14.28	1.47
Food & Kindred Products	490.6	352.9	5.01	1.02
Lumber & Wood Products	457.9	295.1	4.74	1.04
Other Manufacturing	1,902.3	989.1	9.54	.50
Trans., Comm and Utilities	778.8	517.7	5.20	.67
Wholesale Trade	966.7	612.0	6.40	.66
Retail Trade	1,642.0	1,308.6	11.81	.72
Finance, Ins., & Real Estate	690.7	425.3	3.76	.54
Services	2,666.5	1,728.0	18.43	.69
Total**	\$ 11,052.3	\$ 7,334.0	\$ 85.54	.77

*Effective Tax Rate = (Tax ÷ Total Wages) x 100

**Columns may not add because of rounding.

TABLE 17

Effective Tax Rate* by Major Industry, FY1986-FY1999

Major Industry Group	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Agriculture, For., & Fish	2.73	2.76	2.75	2.01	1.65	1.36	1.78	1.88	1.63	1.63	1.89	1.85	1.52	1.42
Mining	1.96	2.01	2.13	1.57	1.34	1.02	1.23	1.33	1.15	1.05	1.37	1.14	0.83	.84
Construction	2.73	2.78	2.81	2.17	1.79	1.49	1.78	1.87	1.66	1.66	1.97	1.63	1.48	1.47
Food & Kindred Products Mfg.	2.49	2.51	2.49	1.86	1.51	1.26	1.69	1.68	1.37	1.31	1.59	1.37	1.07	1.01
Lumber & Wood Products Mfg.	2.59	2.46	2.30	1.72	1.49	1.18	1.42	1.38	1.16	1.09	1.34	1.29	1.04	1.04
Other Manufacturing	1.84	1.86	1.76	1.22	0.98	0.72	0.92	0.92	0.68	0.66	0.92	.78	0.61	.54
Trans., Comm and Utilities	1.70	1.67	1.66	1.14	0.91	0.65	0.90	0.91	0.72	0.70	0.98	.82	0.68	.65
Wholesale Trade	2.01	2.01	1.91	1.35	1.04	0.79	1.07	1.05	0.82	0.80	1.05	.89	0.70	.67
Retail Trade	2.17	2.22	2.14	1.51	1.20	0.87	1.20	1.20	0.90	0.91	1.22	1.03	0.80	.73
Finance, Ins., & Real Estate	1.70	1.69	1.62	1.11	0.80	0.53	0.75	0.75	0.59	0.58	0.91	.76	0.54	.53
Services	1.74	1.68	1.71	1.23	0.98	0.72	0.98	1.02	0.82	0.80	1.07	.93	0.74	.69
Total**	2.06	2.05	2.00	1.45	1.17	0.89	1.16	1.18	0.95	0.92	1.21	1.05	0.83	.78
*Effective Tax Rate = (Tax ÷ Total Wages) x 100														

TABLE 18

Ratio of Taxable Wages To Total Wages by Major Industry, CY1986-CY1999

Major Industry Group	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Agriculture, For., & Fish	.84	.84	.84	.83	.81	.81	.83	.83	.84	.84	.85	.83	.86	.86
Mining	.62	.62	.59	.59	.60	.60	.59	.59	.60	.59	.60	.57	.58	.58
Construction	.69	.71	.72	.72	.70	.70	.69	.71	.73	.73	.73	.71	.73	.74
Food & Kindred Products Mfg.	.74	.75	.78	.72	.71	.71	.73	.74	.74	.72	.73	.68	.71	.72
Lumber & Wood Products Mfg.	.66	.64	.64	.63	.66	.67	.64	.63	.66	.66	.65	.63	.66	.64
Other Manufacturing	.63	.62	.59	.59	.60	.59	.58	.56	.54	.52	.55	.55	.57	.52
Trans., Comm and Utilities	.64	.64	.63	.63	.63	.63	.63	.63	.64	.64	.65	.64	.65	.66
Wholesale Trade	.70	.70	.67	.67	.66	.67	.65	.65	.66	.67	.66	.64	.65	.63
Retail Trade	.82	.83	.80	.80	.80	.81	.80	.80	.81	.81	.81	.80	.81	.80
Finance, Ins., & Real Estate	.69	.68	.66	.67	.66	.65	.64	.63	.65	.64	.64	.62	.62	.61
Services	.64	.62	.61	.62	.62	.62	.61	.64	.65	.64	.64	.63	.64	.65
Total*	.69	.69	.67	.67	.67	.67	.67	.67	.68	.67	.67	.66	.67	.66
Taxable Wage Base	\$15,600	\$16,200	\$16,200	\$16,800	\$17,400	\$18,000	\$18,600	\$19,200	\$20,400	\$21,000	\$21,600	\$21,000	\$23,000	\$23,600

shows that there are wide variations in the taxable-total ratios of the major industry groupings. (See Table 18 on page 36.)

Some other significant factors that effect the ratio of taxable to total wages are seasonality in employment patterns, wage levels, worker turnover, part-time and/or temporary worker patterns, and, of course, business cycle effects.

Even though differences exist between major industries in the ratios, there have been only relatively small changes in the relationships between the industries since the indexing of the taxable wage base to wages, which started in 1976.

This indexing has resulted in an impressive stability in the taxable-total ratio. Since 1976, the percent of total wages that is taxed for all Idaho industries has varied little—about 67 percent. This stability has been maintained over several changes in the business cycle, including periods of rapid expansion in the economy; periods of deep, prolonged recession; periods of economic recovery;

and periods of substantial wage inflation.

AVERAGE TAX RATES

Taxable wages are the wages that the tax rate schedules are applied against. A covered employer pays UI tax on an individual worker's earnings that do not exceed the taxable wage base. The taxable wage base in 1999 was \$23,600. The taxable wage base in 2000 was \$24,500, and the taxable wage base for 2001 is \$25,700. The average tax rates described are average rates based upon taxable wages.

There are two average tax rates in this publication (See Table 19): The average based upon the rates paid by the number of employers and the average rates which are weighted by employers' taxable payroll. For example, the average rate in rate year 2000 in the lumber industry was 2.9 percent; whereas, the average rate, weighted by taxable wages, was 1.7 percent. In contrast, the average in the agriculture, forestry, and fisheries was 1.7 percent, and the weighted average was 1.8 percent.

FIGURE 27: AVERAGE RATES & AVERAGE EFFECTIVE TAX RATES

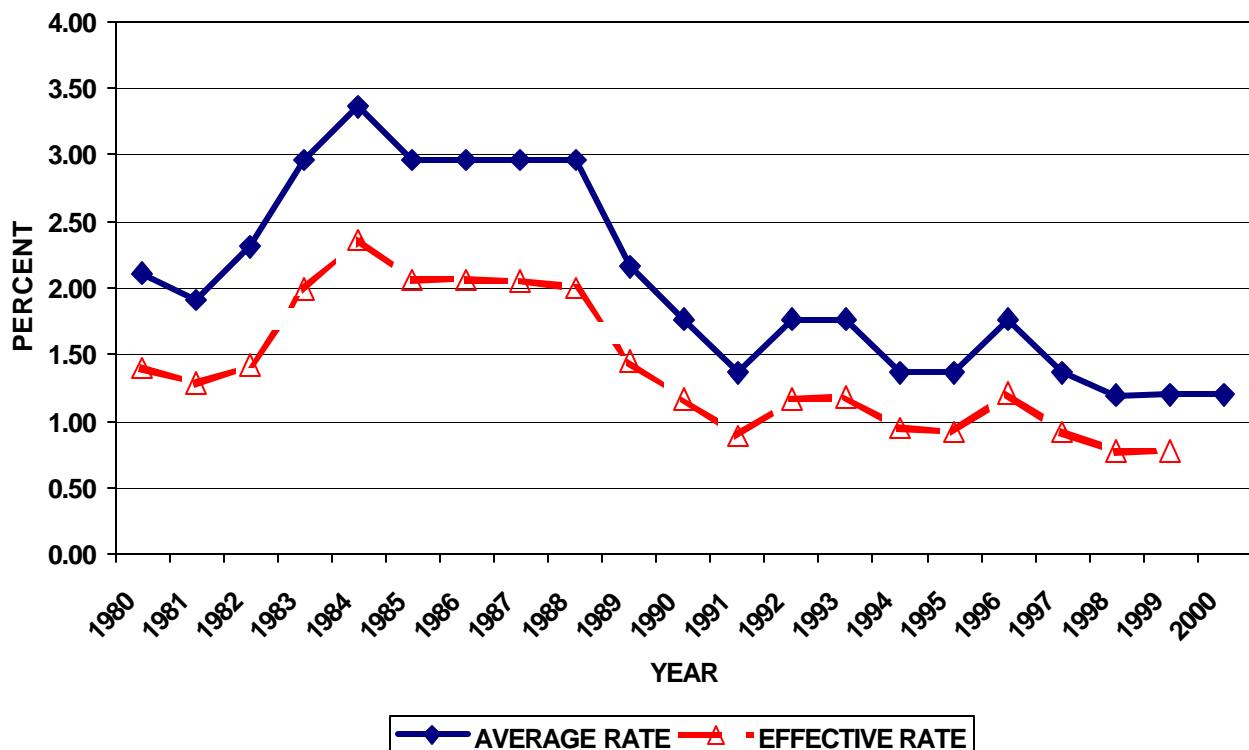


TABLE 19

Average Rates, Weighted Average Rates, Number of Employers, & Percent in Each Rate Class^a by Major Industry, Rate Year 2000

Major Industry Group	Average Rate ^b	Weighted Average Rate ^c	# of Employers	Rate Class 0.2	Rate Class 0.4	Rate Class 0.6	Rate Class 0.8	Rate Class 1.0	Rate Class 1.2	Rate Class 1.4	Rate Class 1.5	Rate Class 2.6	Rate Class 3.0	Rate Class 3.4	Rate Class 3.8	Rate Class 4.2	Rate Class 5.4
Agriculture, For., & Fish	1.7	1.8	2,043	7	3	4	7	6	10	22	16	4	4	4	5	6	2
Mining	2.1	1.7	149	7	1	3	4	5	8	20	15	3	6	7	6	12	3
Construction	2.0	2.1	6,332	3	1	2	3	4	8	23	28	4	5	5	6	6	3
Manufacturing	1.9	1.2	2,007	7	4	5	7	5	8	20	15	4	3	3	5	7	6
Food & Kindred Products	1.3	1.4	123	15	7	6	11	7	12	19	11	3	2	2	2	2	2
Lumber & Wood Products	2.9	1.7	680	3	2	2	4	3	3	14	13	3	4	6	11	18	15
Trans., Comm and Utilities	1.5	1.0	2,004	10	4	5	5	7	9	21	26	2	2	2	3	3	2
Wholesale & Retail Trade	1.2	.9	9,732	14	6	7	8	7	11	20	21	2	1	1	1	1	0
Finance, Ins., & Real Estate	1.1	.8	2,690	13	6	7	10	8	11	23	20	1	1	1	1	0	0
Services	1.2	1.1	11,971	12	5	6	7	8	11	22	24	2	1	1	1	1	0
Total ^d	1.4	1.2	36,928	10	4	5	7	7	10	21	23	2	2	2	2	2	1

a-Computation includes wages, tax, benefits paid through 6/30/99.

b-Average Rate = Sum of Rates ÷ Number in Group.

c-Weighted average Rate = (Sum of Rates x Taxable Payroll) ÷ Total Taxable Payroll.

d-Rows may not add because of rounding.

For total Idaho employers, the average rate and the weighted average rate were the same in rate year 2000 as they were in rate year 1999. The average rate in rate year 2000 was 1.4 percent, and the average weighted by taxable payroll was 1.2 percent. Rate Schedule II was in effect both years.

Some of the more significant data in Table 19 are the differences among industry groups. There is a pronounced variation by major industries, with the higher cost industries having larger representation in the high rate categories—another indication of the effectiveness of Idaho's experience rating structure.

Care must be taken when analyzing averages, however, as oftentimes, averages can conceal more than they reveal. In the case of average tax rates, individual employers or subgroups of employers in each broad industry can vary widely from the average.

COVERED LABOR FORCE

Covered labor force is covered employment plus covered unemployment. In 1999, Idaho's annual average covered labor force was 444,266 workers—up 2.8% from the 431,959 covered workers recorded in 1998. The annual increase continues the strong rate of growth that Idaho has experienced in the last several years.

COVERED UNEMPLOYMENT

Covered unemployment was an annual average of 14,967 workers in 1999, which represents 3.4 percent of the covered labor force.

This 3.4% of the covered labor force that was unemployed in 1999 is the lowest rate in the last thirty years as reported in Table 20. This fact gives evidence of a vibrant Idaho economy and provides an obvious rationale for the relatively low payout from the Unemployment Insurance trust fund.

COVERED EMPLOYMENT

Covered employment grew an annual average of 13,200 workers in 1999, up 3.2 percent from 1998. In 1999 an annual average of 429,300 workers were employed in covered employment by tax rated employers in Idaho.

SURVIVAL RATE

Survival rate is the average proportion of those claimants who have experienced "X" weeks of insured unemployment who go on to experience at least one more week of insured unemployment within a benefit year. A time series of survival rate is presented in Figure 31 on page 43. The data clearly show that in the five most recent years the rate has remained relatively constant at about .94. There was, however, a minor increase in the rate in 1999 when compared to 1998, which is supported by the average annual duration of benefits increase shown in Table 23.

AVERAGE DURATION OF BENEFITS

Like the survival rate, the annual average duration of benefits registered an increase in 1999

when compared with 1998. The average duration in 1999 of 12.4 weeks was .5 weeks above the 11.9 weeks recorded in 1998. The 12.4 average duration in 1999 was also the highest since the 12.6 weeks duration in 1993.

EXHAUSTION OF BENEFITS

The ratio of claimants who received a first payment to claimants that received a final payment (exhausted benefits) was .29 in 1999, which has remained relatively constant at about .3 for the last five years.

TABLE 20

Estimates of Covered Labor Force*
Monthly Averages Per Year

Calendar Year	Covered Emp.	Covered Unemp.	Covered Labor Force	% of Labor Force Unemp.
1999	429,299	14,967	444,266	3.4
1998	416,077	15,882	431,959	3.7
1997	402,457	16,008	418,465	3.8
1996	388,168	17,638	405,806	4.3
1995	375,493	18,027	393,520	4.6
1994	363,104	15,975	379,079	4.2
1993	340,727	16,446	357,173	4.6
1992	322,931	17,985	340,916	5.3
1991	308,815	16,886	325,701	5.2
1990	299,382	12,658	312,040	4.1
1989	282,553	12,587	295,140	4.3
1988	265,888	13,753	279,641	4.9
1987	252,297	16,900	269,197	6.3
1986	247,734	20,052	267,786	7.5
1985	250,979	19,000	269,979	7.0
1984	246,420	18,300	264,720	6.9
1983	235,393	26,107	261,107	10.0
1982	228,814	31,194	260,006	12.0
1981	240,670	19,200	259,870	7.4
1980	240,218	18,552	258,770	7.2
1979	249,104	10,970	260,074	4.2
1978	244,119	9,432	253,551	3.7
1977	219,540	10,273	229,813	4.5
1976	206,805	10,884	217,689	5.0
1975	193,318	12,910	206,228	6.3
1974	188,930	8,477	197,407	4.3
1973	178,831	6,927	185,758	3.7
1972	165,592	7,242	172,834	4.2
1971	151,499	8,007	159,506	5.0
1970	146,079	6,357	152,436	4.2

*Excludes state and local government and cost reimbursable nonprofit employment

TABLE 21

Ratio of First Payment to Eligible Monetary Determinations

Calendar Year	First Payments	Eligible Monetary Determinations	Ratio
1999	43,684	53,070	0.8231
1998	46,120	56,008	0.8235
1997	45,116	55,691	0.8101
1996	48,788	56,745	0.8598
1995	48,219	57,090	0.8446
1994	44,924	52,780	0.8511
1993	41,134	47,996	0.8570
1992	46,156	51,716	0.8925
1991	48,116	52,825	0.9109
1990	39,009	46,080	0.8465
1989	36,539	41,620	0.8779
1988	37,626	43,002	0.8750
1987	41,160	44,962	0.9157
1986	46,776	49,989	0.9357
1985	*47,125	50,100	*0.9400
1984	41,955	45,444	0.9232
1983	46,926	47,451	0.9889
1982	58,937	59,471	0.9910
1981	49,097	52,636	0.9328
1980	50,188	54,157	0.9267
1979	38,870	46,266	0.8401
1978	33,293	37,706	0.8830
1977	32,207	37,580	0.8570
1976	33,755	37,308	0.9048
1975	36,805	39,081	0.9418
1974	27,659	33,636	0.8223
1973	23,031	27,489	0.8378
1972	22,736	26,328	0.8636
1971	22,793	25,952	0.8783
1970	19,994	23,179	0.8626

*Estimates

TABLE 22 Percent of Claimants with Sufficient Wage Credits			
Calendar Year	Number of Monetary Determinations	Number of Eligible Monetary Determinations	% With Sufficient Wage Credits
1999	54,117	53,070	98
1998	57,208	56,008	98
1997	57,383	55,691	97
1996	62,076	56,745	91
1995	62,880	57,090	91
1994	58,753	52,780	90
1993	54,483	47,996	88
1992	61,005	51,716	85
1991	60,087	52,825	88
1990	52,052	46,080	88
1989	47,461	41,620	88
1988	49,016	43,002	88
1987	52,140	44,962	86
1986	58,415	49,989	86
1985	61,952	50,100	81
1984	60,878	45,444	75
1983	64,092	47,451	74
1982	74,784	59,471	79
1981	64,344	52,636	82
1980	65,042	54,157	83
1979	54,633	46,266	85
1978	46,896	37,706	80
1977	45,529	37,580	83
1976	47,588	37,308	78
1975	48,978	39,081	80
1974	40,457	33,636	83
1973	33,135	27,489	83
1972	32,175	26,328	82
1971	31,898	25,952	81
1970	29,589	23,179	78

TABLE 23 Weeks Compensated by Year & Average Annual Duration				
Calendar Year	Weeks Compensated ^a	First Pay	Final Pay	Avg. Duration Compensable (weeks) ^b
1999	542,464	43,684	12,536	12.4
1998	552,125	46,120	12,688	11.9
1997	537,345	45,116	13,055	11.9
1996	585,244	48,788	14,744	12.0
1995	590,835	48,724	15,291	12.1
1994	521,685	44,924	13,984	11.6
1993	518,804	41,134	14,689	12.6
1992	571,677	46,156	16,010	12.4
1991	564,858	48,116	13,991	11.7
1990	437,715	39,990	9,837	11.2
1989	427,682	36,539	10,069	11.7
1988	456,730	37,626	11,408	12.1
1987	530,182	41,160	15,082	12.9
1986	628,431	46,776	17,844	13.4
1985	576,193	^c 47,125	18,186	^c 12.2
1984	520,335	41,955	18,567	12.4
1983	673,301	46,926	26,176	14.3
1982	903,269	58,937	28,418	15.3
1981	618,186	49,097	16,297	12.6
1980	623,022	50,188	14,892	12.4
1979	419,297	38,870	8,361	10.8
1978	334,511	33,293	7,072	10.0
1977	348,519	32,207	8,567	10.8
1976	361,185	33,755	9,579	10.7
1975	424,406	36,805	11,189	11.5
1974	289,665	27,650	6,132	10.5
1973	246,317	23,031	5,090	10.7
1972	251,643	22,736	5,572	11.1
1971	250,595	22,793	5,675	11.0
1970	216,775	19,994	5,204	10.8

a-Excludes extended benefits

b-Average Duration = Week Compensated ÷ First Pay

c-Estimates

FIGURE 28: COVERED EMPLOYMENT & COVERED UNEMPLOYMENT

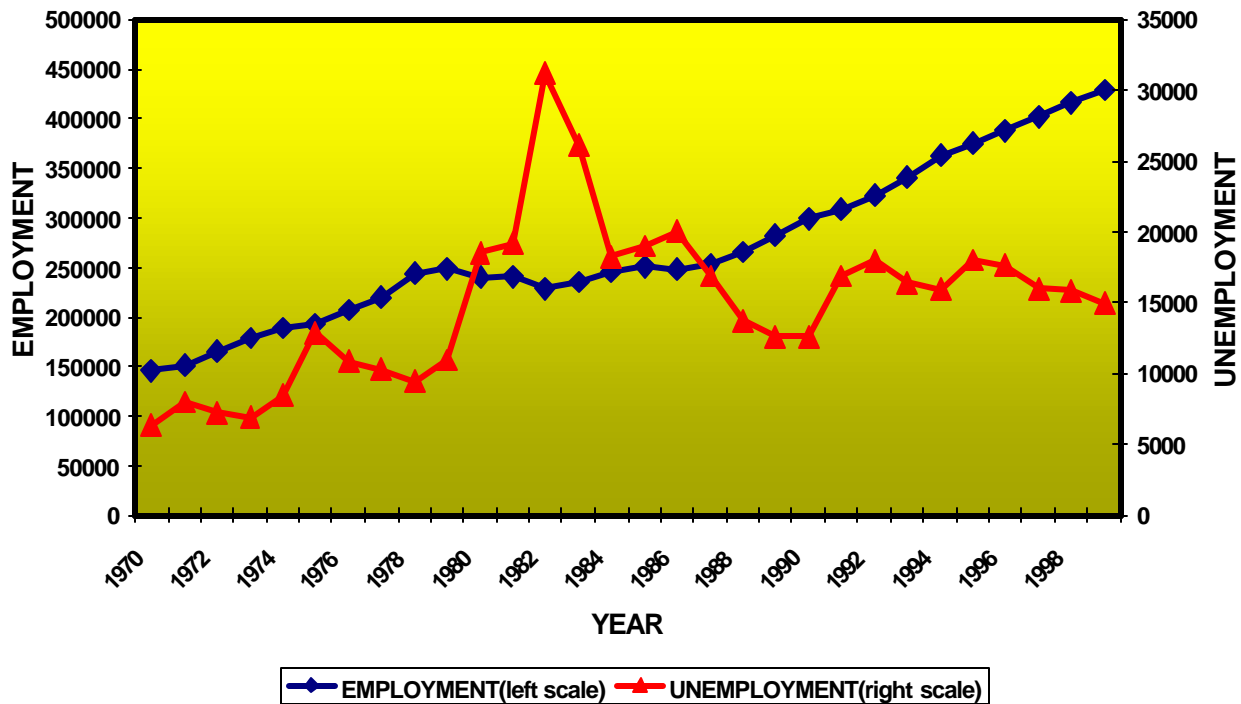


FIGURE 29: AVERAGE ANNUAL DURATION IN WEEKS

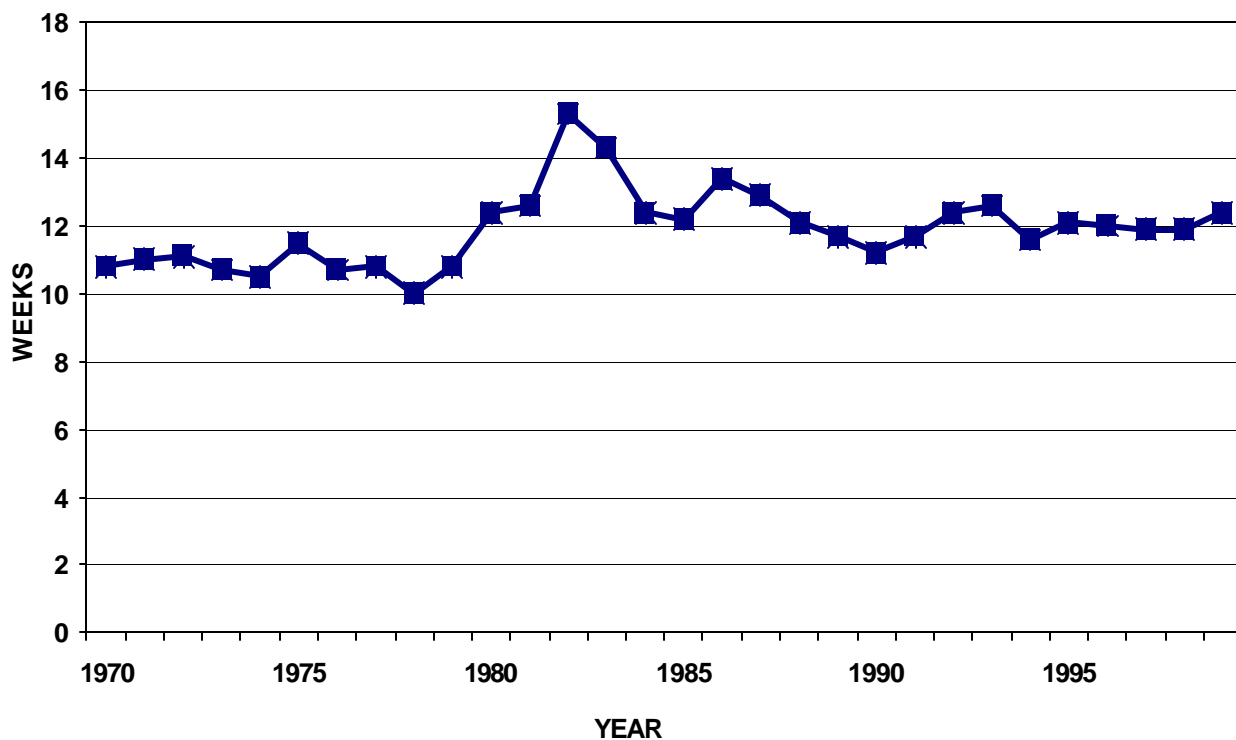


FIGURE 30: COVERED WORKERS UNEMPLOYED AS A PERCENT OF COVERED LABOR FORCE

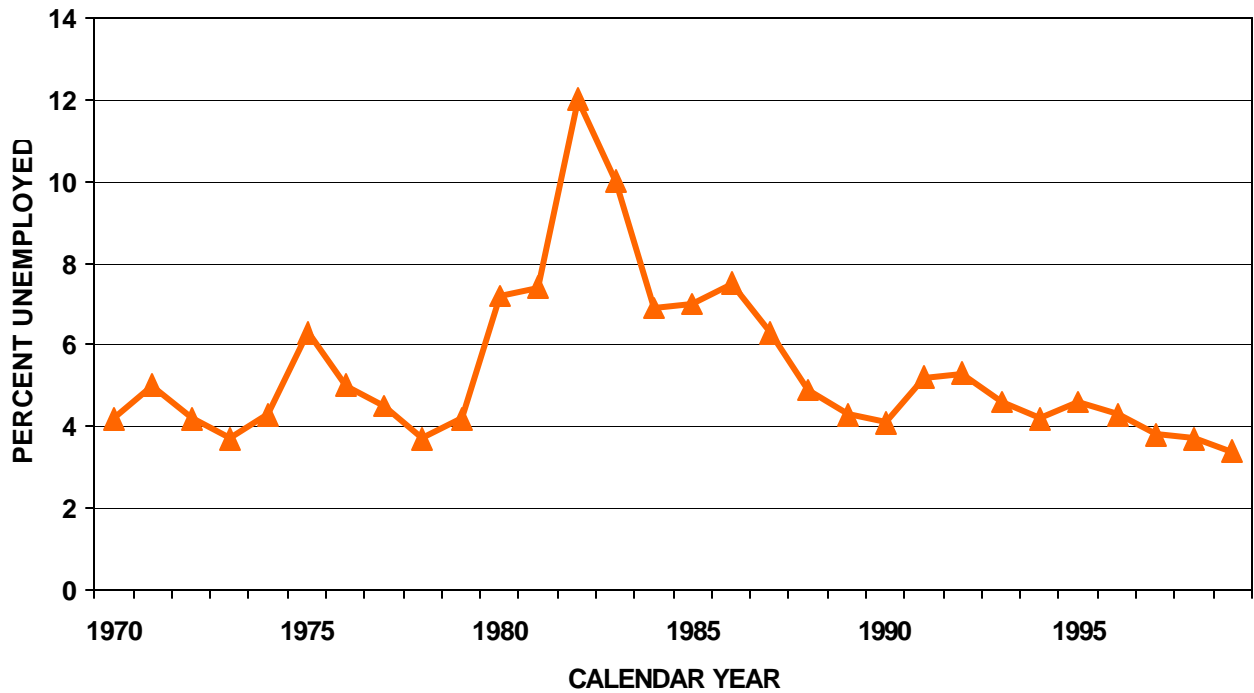
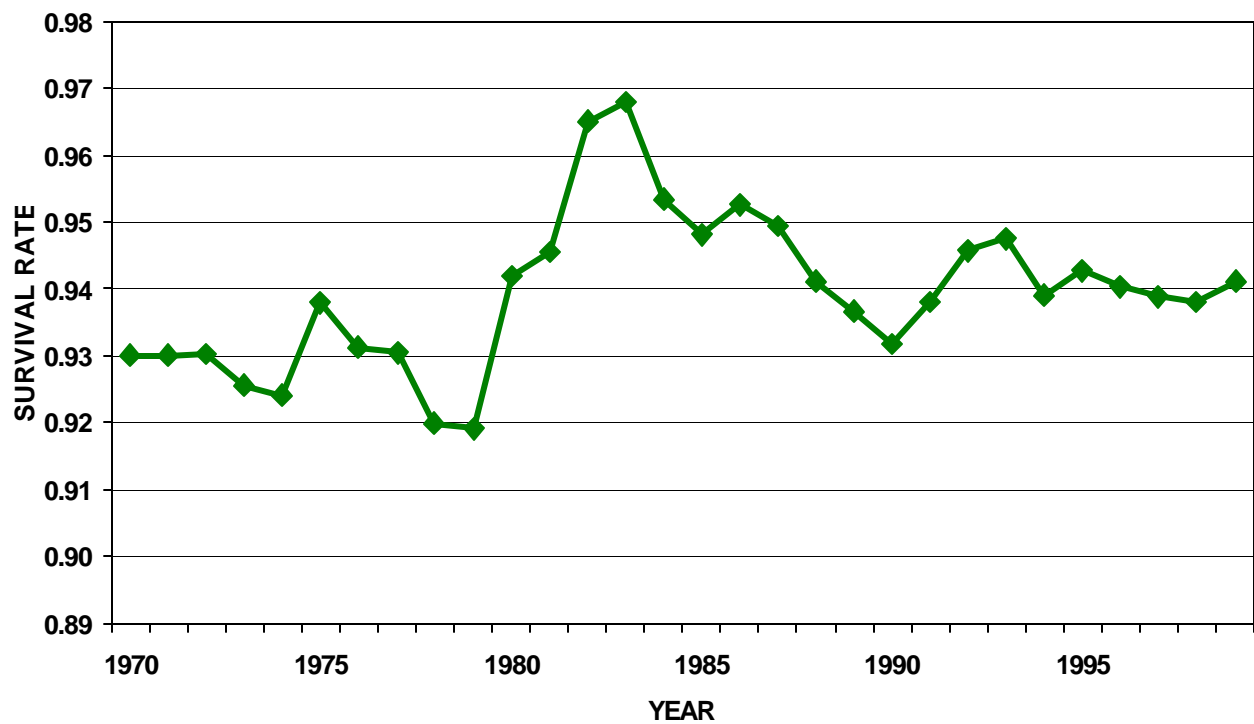


FIGURE 31: AVERAGE ANNUAL SURVIVAL RATE



FEDERAL-STATE EXTENDED BENEFIT PROGRAMS

Federal-State Extended Benefits (FSE)

FSE benefits have not been paid in Idaho for 13 consecutive years—since 1987. One of the more favorable outcomes of not paying extended benefits is that payouts from the UI trust fund are reduced. Additionally, the state's share of FSE benefits are not charged to any employer account and become socialized costs to the fund (see discussion on experience rating). Table 24 on page 45 shows beginning and ending dates.

Without question, the most costly period of FSE benefits was during the height of the severe recession that ended in 1983. During the “trigger-on” period beginning October 3, 1981 until FSE triggered off on July 2, 1983, \$33.3 million in benefits were paid. One-half, or \$16.7 million, was paid from Idaho's Unemployment Insurance trust fund.

The longest period of time that benefits were paid under this program was from January 1, 1975 through January 7, 1978. Benefits totaling \$10.4 million dollars were paid out in that series. During this time frame, a national FSE period was in effect, based upon a nationwide insured unemployment rate. The Omnibus Budget Reconciliation Act of 1981 eliminated the national trigger.

Emergency Unemployment Compensation (EUC)

EUC was a 100 percent Federally funded program that provided for payment of “emergency unemployment compensation to individuals who had exhausted their rights to regular benefits under state law.” From the inception of this law, there was a multitude of extensions and/or benefit duration changes. These changes were too complex and numerous to detail in this short description. But, the enormity of the program's payments to Idahoans must be chronicled even though no trust fund payout was involved in the program.

From the beginning date, November 17, 1991, through the end of the fiscal year on June 30, 1993, \$54.8 million in EUC benefits were paid to Idaho claimants.

Federal Supplemental Benefits (FSB)

The Emergency Unemployment Compensation

Act of 1974, as amended in 1975 and 1977, provided Federal Supplemental Benefits (FSB) of up to 26 weeks to claimants who had exhausted their UI and FSE benefits. Idaho first triggered into this federally funded program January 4, 1975, with payments continuing through October 1976. It triggered on again in January 1977. The FSB program ended January 31, 1978. A total of \$5,280,600 was paid to FSB recipients in Idaho while the program was in effect; however, none of this amount was paid from Idaho's UI trust fund.

Additional Extended Benefits (AEB)

Additional Extended Benefits (AEB) became effective March 7, 1982. The benefits were provided to Idaho claimants who had exhausted both regular and FSE benefits. The law, enacted by the Idaho Legislature in 1982, was a one-time extension of benefits which expired December 31, 1982. Claimants were paid up to one-half of their entitlement for regular benefits which was from Idaho's Unemployment Insurance trust fund. While AEB was in effect, \$5,458,973 in benefits were paid.

Federal Supplemental Compensation (FSC)

Federal Supplemental Compensation (FSC) was a temporary extended benefit program wholly funded by Federal general revenues. The FSC Act of 1982 became effective September 12, 1982, and was scheduled to end March 31, 1983. It was subsequently amended several times to extend the expiration date.

The maximum duration of benefits payable under the original act was 50 percent of a claimant's entitlement of regular benefits up to 10 weeks. To be eligible for these benefits a claimant must have exhausted all other additional compensation available under the regular and FSE programs.

The FSC program was phased out on March 31, 1985. From the beginning date of the program on September 12, 1982 through July 1985, \$37,950,846 in benefits were paid.

Disaster Unemployment Assistance (DUA)

Disaster Unemployment Assistance is a federally financed program designed to provide for payment of benefits to individuals unemployed because of major disasters as well as provide

funds to State Employment Security agencies to administer the program.

The program was authorized by section 407 of the Disaster Relief Act of 1974 and became effective April 1, 1974. Responsibility for administering the Act was delegated to the Federal Disaster Assistance Administrator (FDAA). The FDAA in turn delegated to the Secretary of Labor the responsibility of administering the payment of DUA.

Since the beginning of the program, DUA benefit payments have been paid to unemployed Idaho workers because of five separate disasters.

The first and most significant was the Teton Dam disaster in June 1976. As a result of this disaster, 3,092 Idahoans received benefit payments, and \$1,068,382 total benefits were paid.

The second disaster was the Mt. St. Helens disaster in May 1981. There were 128 initial claims filed because of the disaster. \$25,638 in benefits were paid out.

The third event was the Borah Peak earthquake in October 1983. There were 17 initial claims filed because of this disaster. \$6,857 in benefits were paid out.

The fourth period that Disaster Unemployment Assistance was paid resulted from winter/spring flooding from high water runoff in 1997. Through December 13, 1997, 307 claimants were paid DUA in the amount of \$35,204.

The fifth period of DUA was the result of the devastating 2000 fire season. A total of fifteen counties were declared disaster areas. As of December 2, 2000, a total of \$40,149 was paid to 55 claimants.

Trade Readjustment Allowances (TRA)

Trade Readjustment Allowances under the Trade Act of 1974 is a federally financed program that is only available to workers who lose their jobs as a result of increased imports.

The weekly benefit amount of TRA benefits is generally the same as the state unemployment benefits a worker received before exhausting those benefits. During the 1980's and ending with fiscal year 1989, \$3.2 million in TRA benefits were paid

to Idaho workers. From FY 1990 through FY 1999 1,476 claimants were paid \$3.8 million in TRA benefits. In FY2000 \$657,628 were paid in TRA benefits.

Table 24
Development in Temporary Extended Benefit Programs

Beginning Date	Ending Date	Type of Program	Weeks Compensated	Benefits Paid
2/5/61	4/8/61	TEB	17,965	\$579,673
4/8/61	6/30/62	TEUC	50,117	1,531,544
1/7/62	4/30/62	TEB	30,829	1,041,080
2/3/63	7/13/63	TEB	21,860	737,316
1/23/71	10/2/71	FSE	28,206	1,273,466
1/2/72	2/5/72	FSE	12,930	629,887
4/9/72	10/7/72	TC	19,186	1,004,068
1/4/75	1/7/78	FSE	160,728	10,377,551
4/15/78	7/8/78	FSE	9,770	732,428
2/25/79	6/9/79	FSE	18,413	1,590,018
2/2/80	6/27/81	FSE	124,122	11,501,670
10/3/81	7/2/83	FSE	294,304	33,253,865
9/12/82	3/31/85*	FSC	350,728	37,950,846
3/18/84	6/16/84	FSE	41,494	4,842,212
3/31/85	6/29/85	FSE	35,846	4,385,481
2/22/86	5/17/86	FSE	33,614	4,279,499
3/15/87	5/30/87	FSE	32,006	4,287,009

*FSC phased out, no new claims after 3/31/85

APPENDIX I

Major Historical Developments in the Benefit Formula & Eligibility Requirements

- 1938 The benefit formula put in effect September 1938 provided for weekly benefit amounts (WBA) ranging from \$5 to \$15 with duration of three to eighteen weeks. It also provided for three waiting weeks.
- 1939 In April 1939, the maximum WBA was raised to \$18 and duration was changed to a minimum of seven weeks and a maximum of seventeen weeks. The waiting period was reduced from two weeks to one week.
- 1947 In July 1947, the WBA was increased to a minimum of \$10 and a maximum of \$20. Duration was increased to a minimum of 10 weeks and a maximum of 20 weeks, and the waiting period was reduced to one week.
- 1951 In May 1951, the maximum WBA was increased to \$25, and maximum duration was extended to 26 weeks.
- 1956 In July 1956, the maximum WBA was raised to \$30 with no change in duration.
- 1957 In July 1957, the WBA was changed to a minimum of \$15 and a maximum of \$40 with no other change.
- 1961 Beginning July 1, 1961, the minimum WBA was changed to \$17. A significant change in the Idaho benefit formula occurred in 1961, when a provision was adopted by the Idaho Legislature, indexing the maximum WBA to 52½ percent of the average weekly wages. This provision became effective for the benefit year beginning July 1961 and resulted in a maximum WBA of \$43 for that year.
- Also beginning July 1, 1961, claimants whose earnings exceeded the amounts in the benefit table had their eligibility and number of weeks of benefits computed on the same basis as individuals whose base period earnings came within the limits of the benefit table. This resulted in some claimants with very high base period earnings in the required two or more quarters receiving monetary disqualifications for the first time. It also resulted in reducing potential duration for those claimants with a high, but disproportionate amount of earnings in one quarter.
- 1970 The 1970 Idaho Legislature eliminated the benefit table from the law and substituted a formula which became effective in July 1970. It required at least \$416.01 of wages in a claimant's highest quarter and total wages of at least 1¼ times high quarter wages as a condition of eligibility. The WBA equals 1/26 of highest quarter wages rounded to the next higher dollar amount (if not an even dollar amount) except that it shall not exceed the applicable maximum WBA. Duration varied from 10 to 26 weeks in two week intervals based on minimum ratios of base period to high quarter earnings varying from 1.25 to 3.25 in intervals of 0.25.
- 1971 The Idaho Legislature increased the maximum WBA by increasing the percentage of the average weekly wage in covered employment used to determine the maximum WBA. The maximum WBA was formerly set at 52½ percent of the average weekly wage paid in covered employment. Beginning July 1, 1971, this was increased to 55 percent.
- 1972 In FY 1973, beginning July 1, 1972, a maximum WBA of \$68 became effective. The duration for which a claimant could draw benefits remained unchanged.
- 1973 The Idaho Legislature again increased the maximum WBA by increasing the percentage of average weekly wage in covered employment to 60 percent.
- 1980 The Idaho Legislature deleted WBAs \$17 through \$35 in the benefit formula, raising the \$416.01 previously required as claimant high quarter earnings to \$910.01 and raising total wages required as a condition of eligibility from \$520.01 to \$1,137.51.

-
- 1983 Idaho's benefit formula underwent the most extensive, far-reaching changes in its entire history in 1983 in response to the recessionary drain on the Trust Fund.. The Idaho Legislature made substantive changes that significantly affected claimants eligibility for benefits as well as amounts and duration. The following are the major eligibility and benefit changes to the law:
- A major change was made in the earnings a worker must have to reestablish eligibility for benefits after being found ineligible. The act changed the earnings required from 8 times the WBA to 20 times the WBA.
 - To be eligible for any benefits, an individual must have earned \$1,144.01 in a calendar quarter in his base period and must have had total base period wages of at least 1½ times the high quarter wages.
 - With these changes in the formula, by which the duration and amount of benefits were computed, the minimum WBA payable was raised to \$45 from the previous \$37 minimum. Additionally, the potential duration of benefit payments for most claimants was shortened.
 - Another major change was the temporary freezing of the maximum WBA at the July 1982 level of \$159. This maximum was to continue through June 30, 1984 and to remain in effect until July 1 of a year that the trust fund had not borrowed to pay benefits for the two preceding quarters. These conditions were met July 1, 1984, and the maximum WBA was raised to \$173 according to the benefit formula.
 - A new provision in Idaho's law provided that unemployment compensation payable to any individual for any week, if not an even dollar amount, will be rounded to the next lower full dollar amount. This provision results in savings to the fund and a slightly reduced benefit amount for almost all of those receiving benefits.
 - The amount of qualifying earnings that an individual must have to be eligible to receive benefits in two successive benefit years was changed from 3 to 5½ times the WBA established during the first benefit year.
- 1985 The "20 times" requirement passed in 1983 to reestablish eligibility for benefits was changed to "16 times" the WBA.
- 1987 Effective July 1, 1987, a revision changed the eligibility requirement for earnings from 1½ times the high quarter base period wages to 1¼ times high quarter wages. The change restored the "1¼ times" that was in effect prior to the 1983 legislative changes. Of equal significance in the law change was the restoration of one week of benefit entitlement for many claimants. The claimants that became eligible with the restoration of the "1¼ times" provision became entitled for 10 weeks while all other claimants' entitlements were increased by one week with the exception of those claimants who were entitled to the maximum 26 weeks of benefits.
- One outcome of the 1987 benefit formula change is that those claimants eligible for 10 weeks of benefit entitlement are not eligible for FSE should those benefits trigger on. The eligibility criteria for FSE remain at 1½ times high quarter wages.
- 1997 The 1997 Idaho Legislature changed the benefit formula to restore benefit entitlement to pre-1983 levels by adding one week of eligibility for most claimants. Because of this legislation, all claimants, with the exception of those eligible for 10 weeks and 26 weeks, became eligible for one additional week of benefits.
- 1998 The 1998 Idaho Legislature indexed the wage required to receive the minimum WBA to 50 percent of the state minimum wage. Because Idaho's minimum wage was \$5.15 per hour, Idaho's minimum WBA increased from \$44 to \$51. They also changed the re-qualification formula when filing for benefits in a subsequent benefit year from 5.5 times the WBA to 6 times the WBA.

Table 25
Developments in Idaho Benefit Formula

Effective Date	Maximum WBA	Minimum WBA	Duration (weeks)	Escalator Provision (%)	Waiting Weeks
9/1/38	\$15	\$5	3-18	-	3
4/1/39	18	5	7-17	-	2
7/1/47	20	10	10-20	-	1
5/1/51	25	10	10-26	-	1
7/1/55	30	10	10-26	-	1
7/1/57	40	15	10-26	-	1
7/1/59	40	15	^a 10-26	-	1
7/1/61	43	17	^b 10-26	52.5	1
7/1/62	44	17	10-26	52.5	1
7/1/63	45	17	10-26	52.5	1
7/1/65	48	17	10-26	52.5	1
7/1/66	50	17	10-26	52.5	1
7/1/67	51	17	^c 10-26	52.5	1
7/1/68	53	17	10-26	52.5	1
7/1/69	56	17	10-26	52.5	1
7/1/70	59	17	^d 10-26	55.0	1
7/1/71	65	17	^e 10-26	55.0	1
7/1/72	68	17	10-26	60.0	1
7/1/73	78	17	10-26	60.0	1
7/1/74	83	17	10-26	60.0	1
7/1/75	90	17	10-26	60.0	1
7/1/76	99	17	10-26	60.0	1
7/1/77	110	17	10-26	60.0	1
7/1/78	116	17	10-26	60.0	1
7/1/79	121	17	10-26	60.0	1
7/1/80	132	^f 36	10-26	60.0	1
7/1/81	145	36	10-26	60.0	1
7/1/82	159	36	10-26	60.0	1
7/1/83	^g 159	^h 44	10-26	60.0	1
7/1/84	173	44	10-26	60.0	1
7/1/85	179	44	10-26	60.0	1
7/1/86	185	44	10-26	60.0	1
7/1/87	188	44	10-26	60.0	1
7/1/88	193	44	10-26	60.0	1
7/1/89	200	44	10-26	60.0	1
7/1/90	206	44	10-26	60.0	1
7/1/91	215	44	10-26	60.0	1
7/1/92	223	44	10-26	60.0	1
7/1/93	234	44	10-26	60.0	1
7/1/94	240	44	10-26	60.0	1
7/1/95	248	44	10-26	60.0	1
7/1/96	259	44	10-26	60.0	1
7/1/97	265	44	10-26	60.0	1
7/1/98	273	51 ⁱ	10-26	60.0	1
7/1/99	282	51	10-26	60.0	1
7/1/00	296	51	10-26	60.0	1

a-Duration extended by 50% when unemployment and exhaustion ratios reach specified levels.

b- In July 1961, Idaho adopted an "open-end" benefit formula, requiring all claimants to have total wages of at least 1.5 times higher quarter wages regardless of the amount of those wages.

c-Duration extended by 50% when the insured unemployment rate for a 13-week period is 20% above the average of the same 13-week periods in the two preceding years.

d-In July 1970, Idaho adopted a revision to the benefit formula varying duration from 10- to 26-week intervals based on minimum ratios of base period to high quarter earnings of 1.25 to 3.25 in intervals of .25.

e-Duration extended by 50% through a federal-state extended benefit program adopted February 1971, when actuated by federal or state unemployment rate triggers.

f-Law change deleted weekly benefit amounts \$17 through \$35.

g-Maximum WBA frozen by legislation at 1/1/82 level until July 1 of such year that trust fund had not been borrowing for two preceding quarters.

h-Law change deleted WBAs \$36 through \$43.

i-1998 Legislature "indexed" the minimum WBA to the state minimum wage.

APPENDIX II

Major Developments in Experience Rating & UI Tax Provisions

Table 26 gives some historical perspective of the development in UI tax rates and the taxable wage base in Idaho. While there have been fewer changes in the UI tax structure when compared to the changes made in benefits, the changes in the taxing structure have been substantial. Some of the more meaningful events in tax structure development include the following:

- 1935 Tax rates were applied to total wages paid by employers, and all employers paid the same rate. Rates from 1936 to 1942 were as follows:
- | | |
|-----------|------|
| 1936 | 0.9% |
| 1937 | 1.8% |
| 1938-1942 | 2.7% |
- 1943 Beginning in 1943, only the first \$3,000 of employee's wages in a year were subject to the tax. Experience rating procedures, provided first in the 1943 law, have used different bases for rating employment experience. The 1943 law used a ratio of the excess of taxes over benefits to average annual payroll and set up steps of 2.3, 1.9, and 1.5 percent for rated employers.
- 1947 In 1947, a 1.1 percent step was added to the 1943 law change.
- 1951 Since 1951, the method used in Idaho for determining employers' tax rates has been the array method of reserve ratio experience rating. Each eligible employer has an experience factor calculated, based on past experience. This factor is the reserve ratio of the accumulated excess of contributions over benefits divided by average taxable payroll for the past two, three, or four years, depending on the length of time an employer has been in business.
- Employers are placed in an array according to their experience factors. The Employment Security Law provides the percentage of taxable payroll to be assigned to each rate group. Those employers with the most favorable experience factor receive the lowest rate and other employers are rated according to their place in the array. The range of rates and the percentages in each rate group have been changed several times by legislative action.
- 1955 The Legislature provided for five alternate tax tables with minimum tax rates ranging from 0.3 to 1.7 percent. The rate schedule in effect at any period was determined by the ratio of the unencumbered balance in the UI trust fund to total taxable payroll.
- 1961 For 1961 and 1962 only, the law was amended to add a surtax of 25 percent to the rates of Table 4 of the 1955 law. This resulted in effective rates of 1.625 to 3.375 percent for 1961 and 1962. This surtax was necessary because of depletion of the fund caused by the 1960-1961 recession.
- 1963 The Legislature amended the Employment Security Law to provide:
- Deficit rates above a standard rate for employers whose benefit charges exceed their tax paid.
 - The tax schedule which applies for a particular rate year is to be determined by the ratio of fund balance to total wages.
 - Eight alternative tax schedules, each with seven rates for rated employers, six rates for deficit employers, and a standard rate for unrated employers. Schedule I varied from 0.3 percent to 3.9 percent, while Schedule VII varied from 2.7 percent to 5.1 percent.
- The 1963 Legislature also amended the Employment Security Law to raise the taxable wage base from \$3,000 to \$3,600.

1971	The taxable wage base was again increased from \$3,600 to \$4,200 by the 1971 Idaho Legislature, effective January 1, 1972.
1975	<p>The most significant change affecting the taxable wage base occurred in the 1975 legislative session. The wage base was changed to a flexible one, which is subject to change each year and is set at the annual average wage, rounded to the nearest \$600 multiple, in covered employment in the second year prior to the effective date. Effective January 1976, the taxable wage base increased to \$7,800.</p> <p>Idaho's law was also amended in 1975 to adjust the tax schedules. Effective January 1976, Schedule I varied from 0.2 percent to 3.2 percent and Schedule VIII varied from 2.7 percent to 4.4 percent.</p>
1983	<p>The 1983 Idaho Legislature made extensive changes in Idaho's experience rating system by the adoption of new tax schedules. The Legislature also legislated which schedules would be in effect through 1985. Major changes were that there were now nine rate schedules instead of eight and five deficit rate classes instead of six. But the most meaningful changes were the increases in the rates which employers pay.</p> <p>The Legislature provided that Rate Schedule VI would be in effect for 1983, Rate Schedule VII for 1984, and Rate Schedule VIII for 1985. The 1985 Legislature modified its 1983 decision and legislated that Rate Schedule VI would be effective for both 1985 and 1986.</p>
1986	Meaningful changes in the experience rating structures were made by the 1986 Idaho Legislature. The law was amended to add a new rate class on all schedules for the worst deficit employers. The highest rate class includes one percent of all deficit rated employers and has a maximum tax rate of 5.4 percent for the most favorable rate schedule and 6.8 percent for the least favorable schedule. The definition of wages was changed to include: tips totaling \$20 or more in a month and included in a written statement furnished by the claimant to the employer and sick pay other than that received under a workers' compensation law. Also, any employer that makes a sickness or accident disability payment that is not excluded from wages will be treated as the employer with respect to payment of such wages. The law provides for noncharging of benefits paid to an individual who continues to perform services for an employer without a reduction in work schedule and is eligible to receive benefits based on earnings from another employer.
1987	The Idaho Legislature made a consequential change in Idaho's law by adjusting the point in time of the computation that determines which rate schedule will be in effect. The ratio of the unencumbered balance in the trust fund to the total wages on June 30, immediately preceding the rate year, determines the appropriate rate schedule beginning with calendar year 1989. The effect of the law change was to move the computation date forward six months from December 31 of the second prior year to June 30 immediately preceding the rate year.
1989	<p>In 1989, the Idaho Legislature created an innovative new method of determining which of Idaho's nine rate schedules would be in effect for any rate year—computation, from the penultimate year, of an average cost multiple (ACM). The ACM is a ten-year moving average of the ratios of annual benefits paid to total wages in covered employment multiplied by a factor of 1.5. This resulting ratio, when applied to covered wages of the penultimate year, represents the desired fund size.</p> <p>Beginning with calendar year 1989, the ACM became the minimum ratio of total wages for Rate Schedule V (the middle schedule) of Idaho's nine rate schedules. The trust fund balance to wages ratio for Rate Schedules I through IX is then adjusted up or down from Rate Schedule V in equal increments of .005 percent.</p>

As an example of the new methodology, the ACM for rate year 1989 was .0264, and the ratio of fund balance to total wages in the penultimate year (1987) was .0400, which triggered Rate Schedule III for rate year 1989.

One effect of the 1989 law change was to return the point of time of the computation of effective tax rate schedule to the penultimate year as it was prior to the 1987 legislation.

- 1991 In 1991, the Idaho Legislature made a very meaningful change to Idaho Code by establishing an administrative fund to help meet Idaho Department of Employment funding needs. The legislation provided that a reserve tax equal to 20 percent of the employers' taxable wage rate would remain in Idaho as a reserve fund and invested by the State Treasurer. This special Administrative Fund could be used only for the purpose of paying UI claims. The interest earned by this fund would be used by the Idaho Department of Labor for administrative expenses.
- The Legislature also placed a ceiling on the newly established reserve fund so that the 20 percent diversion of employer taxable wage rates would occur only in those years when the balance of the Administrative Fund was less than one percent of Idaho taxable wages. The 20 percent diversion of employer tax would be collected in combination with the remaining 80 percent (contributions), which is deposited in the UI trust fund. When the Administrative Fund ceiling is reached, 100 percent of all employer taxes are deposited in the UI trust fund.
- In calculating individual employer's reserve ratios, only contributions will be used in those years when the 20 percent diversion is in effect.
- The combination of UI trust fund and the newly established reserve fund would be used to compute the minimum ratio of the fund balance to total wages, which is used to determine which of Idaho's nine rate schedules are in effect for any particular rate year.
- The effective date for implementing this legislation was January 1, 1991.
- 1995 The 1995 Idaho Legislature removed the sunset clause on Idaho's special Administrative Fund.
- The 1995 Legislature also changed the computation date for determining which of Idaho's rate schedules will be in effect from December 31 to September 30, which will permit employers' tax rate notices to be sent to employers earlier.
- 1996 The 1996 Legislature established a Workforce Development Training Fund, which was funded by a training tax. The training tax is equal to 3 percent of the taxable wage rate in effect each year. As a result, unless a reserve tax is imposed, UI contributions are equal to 97 percent of the taxable wage rate.
- The legislation also changed the reserve tax established in 1991 from 20 percent of the taxable wage rate to 17 percent. Accordingly, when the 17 percent reserve tax is in effect, the training tax equals 3 percent of the taxable wage rate and the balance, 80 percent, goes to contributions.
- 1997 For rate year 1997, the Idaho Legislature cut taxes for Idaho's tax rated employers. First, the taxable base was reduced to \$21,000 from the \$22,800 that would have been in effect had Idaho's indexed formula been followed. Second, Rate Schedule I was legislated to be in effect for rate year 1997 instead of Rate Schedule II, which would have been in effect had Idaho's ACM formula been the basis for determining the rate schedule. This change resulted in a 0.04 percent reduction in tax rates for all rate classes except for the 5.4 percent rate class. These changes rolled back the taxable wage base and tax schedule to 1995 levels.

1998 The 1998 Idaho Legislature made substantive and far-reaching changes to the tax rate schedules. Some of the most significant changes were: (1) Removed the highest two tax schedules and added two lower schedules to the tax table; (2) Lowered the standard rate (new employer rate) on all schedules; (3) Reduced tax rates for most positive rated employers; (4) Changed the distribution (the array) of the percentage of taxable payroll that defines which rate class employers fall; (5) Reduced the percent allocations of change for positive rated employers when they change from one rate class to another; and (6) Increased the percent of taxable payroll allocated to the highest deficit tax rate from 1 percent of taxable payroll to 5 percent of taxable payroll.

Table 26
Developments in Idaho's Tax Rate Provisions

Year Law Passed or Administrative Order Issued	Effective Date	Rate Schedules	Wage Base (\$)	Eligibility Require- ments for Experience Rating
1935		.9% in 1936	total	
		1.8% in 1937	total	
		2.7% in 1938	total	
1939		0.027	total	
1943	7/43	1.5% - 2.7%	3,000	
1947	7/47	1.1% - 2.7%	3,000	5 years
1951	1/52	.9% - 2.7%	3,000	4.5 years
1955	1/56	.3% - 2.7% ^a	3,000	2.5 years
1961	1/61	1.625% - 3.375% ^b	3,000	2.5 years
1963	1/63	.3% - 5.1% ^c	3,600	2 years
1971	1/72	no change	4,200	2 years
1975	1/76	.2% - 4.4% ^d	^e 7,800	2 years
1983	4/83	.1% - 6.8% ^f	14,400	2 years
1986	1/86	.1% - 6.8% ^g	15,600	2 years
1987	1/87	.1% - 6.8%	16,200	2 years
1988	1/88	.1% - 6.8%	16,200	2 years
1989	1/89	.1% - 6.8% ^h	16,800	2 years
1990	1/90	.1% - 6.8%	17,400	2 years
1991	1/91	.1% - 6.8%	18,000	2 years
1992	1/92	.1% - 6.8%	18,600	2 years
1993	1/93	.1% - 6.8%	19,200	2 years
1994	1/94	.1% - 6.8%	20,400	2 years
1995	1/95	.1% - 6.8%	21,000	2 years
1996	1/96	.1% - 6.8%	21,600	2 years
1997	1/97	.1% - 6.8%	ⁱ 21,000	2 years
1998	1/98	.1% - 6.8% ^j	^j 23,000	2 years
1999	1/99	.1% - 6.8%	23,600	2 years
2000	1/00	.1% - 6.8%	24,500	2 years
2001	1/01	.1% - 6.8%	25,700	2 years

a-Five alternate tables provided with minimum tax rates ranging from .3 to 1.7 percent.

b-For calendar years 1961 and 1962 only, rate in Table IV plus a 25 percent increase apply.

c-Eight alternative rate schedules with minimums from .3 percent to 2.7 percent and maximums from 3.9 percent to 5.1 percent.

d-Eight alternative rate schedules with minimums from .2 percent to 2.7 percent and maximums from 3.2 percent to 4.4 percent.

e-Taxable wage base equal to average annual wage in second prior year, rounded to \$600.

f-Nine alternative rate schedules with minimums from .1 percent to 2.9 percent and maximums from 4 percent to 6.8 percent. Deficit rate class reduced from 6 to 5.

g-Added a sixth rate class to all schedules for worst deficit rated employers for tax rates and bases in effect.

h-Changed the methodology for computation of which rate schedule is effective.

i-Legislated that 1995 taxable wage base would be effective for 1997.

j-1998 Idaho Legislature changed the rates and rate class payroll breaks.

APPENDIX III

Major Historical Developments in Coverage Provisions

- 1935 Covered employment is defined as any service performed for wages unless specifically excluded in the law. The major exclusions in the 1935 Idaho law, which was written to comply with federal standards, were jobs in agriculture, government, nonprofit organizations, domestic work, and jobs held by certain specified family members. There were numerous other exclusions, but these affected a relatively small number of workers.
- 1959 Major changes added most state workers and city and county workers. The latter group was included in covered employment from January 1962 to April 1963.
- 1963 City and county government workers were removed from coverage. UI benefits paid to former state employees were on a reimbursable basis and, therefore, did not directly affect the employment security fund.
- 1967 The Idaho law has, almost from the beginning, provided coverage to workers in firms employing one or more workers, providing that the quarterly payroll met the minimum set in the law. Federal standards originally required coverage to firms with eight or more workers. This was later reduced to firms having four or more workers and finally, to firms with one or more workers. In 1937, the Idaho minimum quarterly payroll requiring taxes to be paid to the UI fund was \$75. This was raised to \$150 in July 1955 and to \$300 in July 1967.
- 1972 Beginning January 1, 1972, coverage in Idaho was again broadened, allowing more workers to be eligible to draw UI benefits. Effective January 1972, all faculty members and administration officials of state-operated schools were covered by UI provisions of Idaho's law. Workers in packaging of fresh fruits and vegetables and haulers of farm products, previously classified as agriculture workers, were reclassified to food processing and transportation and also became covered. Most services for nonprofit organizations are covered, including employees of all hospitals.
- 1978 Effective January 1, 1978, coverage was extended to local government workers, domestic workers, and agriculture workers. The minimum quarterly payroll for domestic workers was set at \$1,000 in any quarter of the preceding calendar year. Agriculture workers are covered if their employers paid \$20,000 or more in wages in any one quarter, or if they employed at least ten workers in agricultural labor for 20 days during the year.
- 1986 In 1986, the law was amended to deny benefits between terms and during vacation period to individuals employed by any educational service agency.
- 1996 The minimum quarterly payroll requiring taxes to be paid was raised from \$300 to \$1,500 per quarter.
- 1997 Professional Employers' experience rating legislation allows professional employers to use the experience rate of the business with which they are contracting. Services by Americorps program participants are exempted from coverage for UI benefits.

Table 27
Major Developments in Coverage Provisions

Effective Date	Size of Firm	Minimum Quarterly Wage	Coverage Change
1936	8 or more in each of 20 weeks		
1937	1 or more	\$75	
1/1/39	1 or more	\$78	
7/1/47	1 or more in each of 20 weeks	\$78	
7/55	1 or more	\$150	
7/59	1 or more	\$150	Added state employees, except school faculties, elective, and some medical specialists
1/1/62	1 or more	\$150	Added city and county government workers
5/1/63	1 or more	\$150	Removed coverage for city and county government workers
7/67	1 or more	\$300	
1/72	1 or more	\$300	Added school coverage for state faculties and administrative staff, professional staff of state hospitals, employees of most nonprofit organizations, and some food processing and transportation workers who were previously classified as agriculture workers
1/79	1 or more	\$300	Added local government workers, domestic workers, and agriculture workers
1996	1 or more	\$1,500	